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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF
THE BRITISH COMMONWEALTH

Volume XXVI



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Volume XXVI

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THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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No. 102.

MARCH 1936

Price 5/-

London: MACMILLAN & CO., LTD.

Entered as second-class matter March 15th, 1929, at the Post Office at Boston, Mass., under the Act of March 3rd, 1879 (Sec. 397, P.L. and R.).

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KING AND EMPIRE

WITHIN a bare six months of the Silver Jubilee the rejoicing of the Empire has turned to sorrow and a much-loved King is no more. His Majesty spoke on the wireless to all the Empire on Christmas Day. Delicate though he had been ever since his illness in 1928, he was generally believed to be standing the winter well, and had shown no weakening in his power of work or in his grasp of the manifold business that the King transacts. It was known, however, that his resistance was small, and that any further illness, however slight, might all too probably be fatal to him. So, to our grief, it proved. The first warning was given on Friday, January 17, late at night. After three days of anxiety, during which the whole world watched for the bulletins from Sandringham, where he lay, on the evening of January 20 His Majesty sank rapidly, and died peacefully a few minutes before midnight. He was not quite midway between his seventy-first and seventy-second year.

The press of every continent has described at length the touching ceremonies that ensued. Carried in simple majesty to the Empire's capital, and received by the two Houses of Parliament in Westminster Hall, His Majesty's body lay there in state for four days, while an unbroken stream of sorrowing subjects passed silently through the ancient twilight to pay their final homage. For a time during the last night of that vigil, the young King and his three brothers themselves stood guard about the bier. On January 28 King George V was borne to his last resting place in St. George's Chapel, Windsor, amid respectful crowds that exceeded in number even those of the Jubilee. A great chapter in the history of the Empire was closed; another chapter, pregnant of many changes, had begun.

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This is unquestionably the general feeling, though historians may tell us that it is no longer scientific to measure periods of history by the reigns of kings. Of all the leaders who saw Europe or the Empire or America through the Great War, George the Fifth of England and the Dominions beyond the Sea was the last to lay down his office. His experience bridged the gulf between the pre-war and post-war worlds; it was therefore longer than that of any statesman now in power. For twenty-five years he had stood unflinchingly upon the bridge of that great ship, the British Empire, which bears the fortunes of a quarter of the globe, and had become a centre of quiet stability and wisdom in times distracted by constant change. The loss of such a personality is not easily made good; its passing means of necessity that another era opens and new forces begin to tell, since personality is all-pervasive when it radiates from the Throne. Tradition holds deep sway among us; the driving power of our institutions neither falters nor flags; our representative system shows no strain; the constitutional engines revolve; the great ship forges steadily on. Such is the strength of freedom knit with law. But from the bridge of the ship a central figure of ripe experience and proved stability is gone.

In moving the resolutions of condolence to King Edward and Queen Mary, both Mr. Baldwin for the Government, and Mr. Attlee for the Socialist Opposition, laid emphasis upon that fact. Year by year, King George won for himself an increasing trust, and with it a spiritual authority which had not been given in that form or measure to any of his predecessors upon the Throne. He never strove for it; he was himself amazed to discover, in the latter part of his reign, that it was there. By virtue of quiet and simple wisdom, of hard and many-sided experience, of wide human sympathy, of shining integrity and of sheer goodness of heart, he achieved a greatness which places him for ever amongst the noblest and most honoured

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of our Kings. At the meeting of Parliament before the ceremony in Westminster Hall, when Parliament received the body of their King for his lying-in-state, Mr. Baldwin, speaking for "the immemorial procession of the Commons", carried the House back to the first Edward, who was also the first of our Kings to try to rule through law. Of him—so ran the Prime Minister's words—"one of our greatest historians said that he saw what was best for his age and for his people, led the way and kept the faith." No better words can be found for the life-work of King George, whose destiny and whose achievement it was to wed democracy and monarchy in a manner never dreamt of before, and thus to give new and vital significance to the welding power of the Crown. Of the four great European Sovereignities that held together a union of varied peoples before 1914 his alone survives. The peoples of the Empire, however much they and their leaders desired it, could not have made that marriage of old and new, of ancient tradition and modern thought, by their own unaided will. Instinct was indispensable in the wearer of the Crown. King George's instinct amounted to genius, and it never faltered. In his latter years especially, as witness the speeches he made throughout the Jubilee, his sureness of touch and understanding were supreme.

Nor was that all. We mourn his death with a sense of loss more intimate and personal than normally attends the passing of even the greatest Kings, and that because he identified himself with his people by a gift of human fellowship which carried his simple personality into every English-speaking home. The invention of wireless no doubt immensely facilitated this personal touch between Sovereign and subject; but the force that brought it into being was the human heart and mind of the King. When in his Christmas broadcasts he spoke as the father of a world-wide family, he was using the only metaphor that could adequately convey his feeling for his peoples and

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theirs for him. The fact that this intimate regard was shared by the people of the United States shows how much of it was due to his personality, giving new significance to the supreme and ancient office that he held. It may indeed seem strange that a King who never worked for effect or tried to assert himself in the eyes of the world should in fact have made a deeper impression on his times than many of his predecessors with greater constitutional power and markedly imperious wills; but undoubtedly, for all its modesty, it was King George's character that told. There was never any artifice in the words His Majesty used; there was just himself, with the background of a life in which, for all its trials, there was nothing to conceal.

From beginning to end, that life had been dedicated without reserve to duty as he saw it, and he always saw his duty clear. It was, moreover, simple despite the ancient splendour in which it sometimes moved, and it was marked by homely traits that endeared him to his whole realm. Everyone, for instance, was aware that he loved his family and liked to have them about, that he petted his animals, that he enjoyed many kinds of sport, and that he laughed wholeheartedly at jokes, including his own. Everyone appreciated his unassuming rectitude and the pattern of family life that he set to his age, with the help of a devoted and highly gifted Queen. Everyone, in short, felt the better for having such a King. To be a gallant and simple gentleman is always to be of service to the world; it is of even greater service to be one in the light and shadow of a Throne. Goodness is always goodness, but it is raised to a peculiar power when it graces a life that is lived perforce with the whole world for its stage. Little wonder that for a moment of history, between his death and his burial, his passing made the whole world kin.

Of him indeed, as of very few of the great ones of this world, the lines of Rudyard Kipling stand true :—

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He scarce had need to doff his pride or slough the dross of earth—

E'en as he trod that day to God, so walked he from his birth,

In simpleness and gentleness and honour and clean mirth.

It was well for us that this quiet and upright King brought to his reign the very qualities it most required. Having served the Empire faithfully through twenty-five years of constant change and stress, he is one with the great company of its immortal dead, and his name will be part of its history so long as that history endures.

Throughout his Empire his subjects have given their heartfelt sympathy to the Queen. No King in all our annals has had a more faithful Consort to share his burdens and sweeten his life. Her Majesty has played her part throughout her husband's troubled reign with courage, with dignity, with charm and with a sense of duty not second to his own. She will keep the love of his peoples as long as she lives. In the roll of English Queens there is none but Elizabeth and Victoria, Queens in their own right, who have served their people more signally than she.

King Edward is forty-one—four years younger than his father was when he ascended the Throne—and he still looks younger than his years. His Majesty is one of the shattered generation that gave its best and bravest to the war, and that fact may prove immensely significant. King George, as we have said, bridged the gulf between the pre-war and post-war worlds. In these latter years, however, a new gulf has arisen; it divides the generation that stood the strain of war from a later generation, which, remembering nothing of the war and its causes, sees only the bitter consequences and condemns what it sees. In the mind of this new generation the emphasis has passed from freedom to social reform and peace. Hundreds of young men have been leaving the universities embittered

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with things as they are, because there is no adequate demand for the capacity that their talent and training have given them. The same discontent, in a different form, is naturally strong among the far larger number who are leaving the elementary and secondary schools and have to wring a living from society or become the pensioners of the state. All these are at enmity with the system into which they were born. They attribute its injustice, as they see it, to capitalism and war, and they are therefore socialists and pacifists, set upon the creation of a new economic order and the cult of universal peace. These inchoate but fundamentally reasonable ideas, both material and spiritual, are carrying us by one experiment after another to a new economic and social order, and no one feels more strongly than the King the need that all Governments should strive unceasingly for what he himself has described in simple English as "better times for all".

So far as this, the heart of the Empire, is concerned, here lies one of the central problems of the new reign. King Edward, though his memories go back to the war, though he graduated in that hard university and found his manhood there, is close in spirit to all this unhappiness and unrest. He has studied it at first hand; he knows what poverty means; he understands the bitterness of men and women who feel that a great country should at least be able to ensure them a decent and steady job. He realises also that, slowly as the face of things alters in England, there remains in its heart but little patience with unearned privilege and hereditary rank. No King has ever mounted the Throne with such an intimate and understanding grasp of what the masses of his people think and feel. The people know it, and they trust him to keep that sympathy bright and keen. King George became a people's King. King Edward begins as a people's King.

With social and economic problems in the Dominions he will not have so close a touch; but he knows and

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understands their varied peoples most intimately too. During recent years there has been one marked difference between the Sovereign and his political advisers, from whatever region of the Empire or whatever party they may have sprung. Politicians throughout the Empire are principally concerned with the electorates to which they owe their power; they think of the Empire when need arises, but they do not think of it all the time. Not so the Sovereign. The Empire as an Empire—its welfare, its cohesion, its security—was always in King George's mind, informing his feelings and his thoughts. One of his last spoken enquiries, the Prime Minister has told us, was for that Empire, which had been so wonderfully saved and mightily transformed during his anxious reign. Some change of ideas will necessarily mark King Edward's tenure of the Throne, but in constant care for the Empire as a whole there will be no change. He feels himself as much a part of every young Dominion as of the Crown's most ancient realm. He knows the speech, the humour, the turn of mind, the atmosphere, the life of each and all. Their very youth appeals to him, the confidence, the frankness and the freedom of their ways. If, then, he is a people's King in Great Britain, he is no whit less such a King for all the nations of the Empire. To know the Empire from books or even from Imperial Conferences is hardly to know it at all. His Majesty knows and loves it as a sailor knows and loves the sea. What better title to such an Empire could any Sovereign claim?

Earnestness for the welfare of all his peoples this King will never lose. But social and economic problems, vast as their importance is, are not the only care that he will have. An ancient spectre, that of war, which also he understands, is lifting its hateful head. The terrible sacrifice undergone so short a time ago to make the world "safe for democracy" has not, after sixteen years of waning hope, produced that result, and democracy has once more to demonstrate its will and power to survive. This is no

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place in which to analyse again the problem of security that confronts the Empire and the League, but we must not blind ourselves to the fact that King Edward's reign, like his father's before him, opens under a menace which the statesmen and peoples of the Empire can no longer safely ignore. THE ROUND TABLE was founded in the first year of King George's reign, and called from its very outset for preparation against the German danger, not because it had capitalistic interests to serve, but because its founders believed that the first duty and also the first necessity of the nations of the Empire was to protect their freedom and the promise of their commonwealth against an autocracy determined to make its militarist culture the strongest power on earth. Now, once again, the challenge is thrown down.

Two questions, writes a great Liberal historian of Liberalism, are prompted by Europe in its present state * :—

Will the peace be preserved? Can liberty survive? These questions have often been asked before, but never with the implications which they must now carry, for to each question there is to-day attached an aspect which is entirely novel and unprecedented. Aviation has come into war. A new scientific technique and apparatus for propaganda has come into politics. Antiquity has never beheld despotisms so penetrating and all-pervasive as those which with the help of modern mechanism it has been so easy to set up in Russia, in Italy and in Germany. It is a light matter now for any government with the tremendous means at its disposal to decree and to enforce the spiritual servitude of the totalitarian state. Equally, it will be a light matter on the outbreak of hostilities for any Power well served in the air to lay whole cities in ruins almost before the enemy population has woken up to the fact that it is at war.

Great Britain, the heart of the Empire, is therefore no longer secure behind her moat of sea; and assuredly no subject realises more keenly than the King that the danger is real and that a decisive part of the history of his reign

* *A History of Europe*, by the Right Hon. H. A. L. Fisher, Warden of New College, Oxford. Vol. III, p. 1217.

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will be made in the air. He proved that by his first gesture, flying as he did from Sandringham to London to attend the Council that proclaimed his accession to the Throne. He is, moreover, a sailor's son, widely travelled himself in all parts of the globe, and none is therefore less likely to forget that in a world such as ours to-day a maritime Empire needs paying ships of its own to bear its trade, and serving ships of its own to guard its trade, on all the seven seas.

Let none suppose, however, that the King will wish his peoples to put their faith in the power of arms alone. We cannot resist the spreading doctrine of autocracy and militarism by surrendering to it ourselves. Fascism in England would be suicide for England herself and the destruction of the Commonwealth. Not for any of our nations the philosophy of power, which sacrifices individual character, be it of man or of nation, to an over-riding state. But neither can we rest upon a system so little organised for common action as that which we now possess. If we should seek to do so, then also freedom would perish from the earth. "In international affairs", we wrote in this review six months ago, "the co-operation of exclusive national sovereignties cannot be the last word in political organisation, if freedom is the goal." There stands the fundamental problem of our parliamentary Commonwealth, confronted in this new reign by a revival of military despotism with powers more absolute than despotism has ever wielded before.

Warmer light and colder shadow could hardly chequer the road that stretches before King Edward and his peoples as he steps to the head of the moving column and takes his father's place. It is fortunate that he knows his peoples well from personal contact and not from books. Never indeed was a Sovereign so close in mind to an Empire of many races on first succeeding to the Crown. Books have at no time attracted him, and he will probably find the drudgery of papers that a Sovereign must sift or sign

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more harassing than did his father, who took easily to routine. But that he will surely discover his own way to overcome. "Dinner with the King," records the late Lord Esher * in his diary at Windsor for January 23, 1908, two years before King Edward the Seventh died.

After dinner talked on old family affairs to the Princess of Wales. She is worried about the bad spelling of her eldest boy, David, but he is wonderfully bright otherwise, so it is not very important.

Lord Esher was right. That David, now King Edward, was then a boy of thirteen. Tutor, schoolmaster and don no doubt did their best thereafter; but books and papers have never been his affair, for he preferred to learn from the speech and life and action of men. In talk he gathers quickly and surely what there is to know, and the gist of his catholic experience of men and their ideas is stored in a keen and receptive brain. He has, moreover, the statesman's sense of judgment, and a gift for penetrating through tradition, misty-mindedness and make-believe to the inner reality of things. Of all the lessons a Sovereign, like other men, must learn, patience is the hardest; but the King is no stranger to the conduct of great affairs, and he has been schooled by a closer contact with the difficulties and delays of government than any previous Heir to the Crown. One other priceless asset he possesses, which no one, as Barrie has told us, can ever lightly define, and that is an irresistible charm. Whatever, then, the shadows that overhang the opening of his reign, this Sovereign will strive, and this Sovereign will deserve, to lead his peoples into sunnier climes. Hope and love, for all our troubles, surround him on every side, and he brings the spirit of youth to the world-wide influence and horizon of the Throne. The King is dead; long live the King.

* *Journals and Letters*, Vol. II, p. 277.

THE ROOT OF OUR PRESENT DISCONTENTS

I. THE PEACE SETTLEMENTS OF VIENNA AND PARIS

ARMAMENTS are the thermometer of the world's international health. If they are rising it is proof of fever which may end in the tragedy of war. If they are stabilised or falling it is proof of returning health and sanity. Judged by this test there is no doubt that, despite the sudden vitality of the League in dealing with the Abyssinian war, the world is very sick. There is not a nation, whether it be dictatorship or democracy, socialist or capitalist, whether situated near the danger zones in Europe and the Far East or in less troubled latitudes, that to-day is not feverishly expanding its armaments, under an increasing fear of war. What is the cause of this baleful manifestation, of the failure of the continuous and concerted efforts that have been made since 1918 to find a lasting basis for peace? Unless we can discover and remove that cause, and so stop the competition in armaments, it is difficult to see how we are to escape another world war in the not very distant future.

The fashionable explanations may be summarised as follows: the undue severity of the Treaty of Versailles; the refusal of the United States to join the League of Nations and ratify the treaty of guarantee to France; the vindictiveness of France towards republican Germany; the hesitation of Great Britain to give those guarantees to France that might have moderated her attitude while the German Republic was in existence; the militant imperialism of Japan, Italy and Germany. Communists will attribute our sickness almost entirely to competition engendered by a profiteering capitalism. All these, no doubt, are elements

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that have contributed to the downward trend from the high hope of the Wilsonian era, that the Great War would be the last world war, because the victorious democracies were going to bring a new international order into being. But there is another and more cogent explanation of our immediate troubles than any of these.

Frank Simonds, in a recent depressing but remarkable book,* has drawn an interesting parallel between the work of the Congress of Vienna in 1815 and that of the Peace Conference in Paris in 1919. The Congress of Vienna drew up a peace settlement which included the establishment of a permanent concert between the European great Powers for the preservation of peace. According to the ideas of the time, the settlement was not unsound, and there was no general war for a century. But the Vienna Congress failed to take into account the then feeble but rapidly growing force of political nationalism; and gradually this force undermined its handiwork, sometimes by peaceful adjustments, more often by localised wars,† until its threat to the existence of the Austro-Hungarian Empire precipitated the world war of 1914. President Wilson's fourteen points, which were the agreed basis of the peace settlements made for Europe in 1919 and for the Far East in Washington in 1922, gave full play to that principle of universal national self-determination, which had failed to win recognition a century before at Vienna. Except for a refusal to allow the Austrian and German peoples to attain racial unity by the *Anschluss*, if they should wish to do so, and for a number of relatively minor frontier injustices mainly affecting Hungary, the Paris-Washington treaties were the best political settlements ever made after a great war. The treaties contained, moreover, in the Covenant of the League of Nations, an instrument for the preservation of peace more universal and fundamentally

* *The Price of Peace*, by Frank Simonds and Brooks Emeny.

† E.g. in Italy, in Austria, in Alsace-Lorraine, and several times in the Balkan peninsula.

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far more sound than the old Concert. There is little doubt, too, that even the ban on the *Anschluss* could have been removed, the necessary frontier and colonial rectifications could have been made, and the League would have been an adequate instrument for the prevention of war, had not the Paris Conference been as blind to an element fundamental to a lasting solution in this century as the Vienna Congress had been to the import of political nationalism a century before.

The Paris Peace Conference, while making full room for nationalism, utterly failed to realise that to allow that nationalism to extend as fully in the economic as in the political sphere was to create a force as fatal to peace as was the failure of Vienna to make room for political nationalism itself.

This catastrophic mistake operated in two ways. It resulted, in the first place, in a burden of reparations upon the defeated countries, and of war debts upon the victorious Allies, which they were quite incapable of paying, especially when the ultimate creditor country, the United States, continually raised its tariff as its debtors made increasingly vigorous efforts to pay their obligations through the ordinary channels of trade. This aspect of the Paris mistake has now been exposed, in the German inflation that followed the Ruhr debt-collecting expedition, and in the world depression and the destruction of the international gold standard, which resulted as soon as the United States, and to a less extent Great Britain, ceased trying to disguise the consequences of this inflated war indebtedness by lending to Germany, the principal debtor, the wherewithal to pay. It has ended in a practical cancellation of reparations and war debts, and a considerable writing-down of other forms of international indebtedness both public and private, but at the price not only of intense suffering everywhere but also of the overthrow of democracy and the rise of dictatorships in one country after another throughout the world.

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The second aspect of the Paris mistake in economics still persists—the undiminished determination of practically all sovereign nations to become economically as self-supporting as possible, to produce for themselves as much of their own food, raw materials and manufactures as they can. This economic nationalism, caused partly by fear of war, partly by the nationalist desire for a rounded economic life, and partly by the organised pressure of vested interests, has perpetuated and intensified the economic dislocation arising from the war and the attempt to collect war debts and reparations. It has had three major effects. It has immensely lessened the volume of international trade, and thwarted that continuous economic development of the backward parts of the world which was characteristic of the pre-war era, and which not only raised the standard of living of those parts, but at the same time gave employment to capital and labour in the industrial nations. It has thus caused unemployment everywhere. It has made it increasingly difficult for certain industrialised countries, notably Germany, Italy and Japan, to pay for those essential foodstuffs and raw materials, such as coal, iron ore, rubber, coffee, cotton, nickel, wool, tin, petroleum and aluminium, which they do not produce within their own countries, by paying for them by exports of their own manufactures; for other nations are unwilling to receive such exports. And it has almost stopped migration from over-populated Europe to the new world, partly because nationalism has made States more critical of the type of immigrant they are prepared to admit to citizenship, but far more because they will not admit immigrants unless they know there will be a market for the primary products the new-comers will produce.

The troubles of the contemporary world, therefore, are not political, in the narrower sense of that word, but economic in their origin. The main failure of the Paris Conference was not political—the frontiers it laid down—but economic. The Paris settlement would have succeeded

PROBLEM OF THE "SUFFOCATED" POWERS

well enough if the United States had joined the League, if the League had immediately and successfully tackled the reparations and war debt problem, and if it had managed to reduce trade barriers to such moderate dimensions that world development could have been resumed and the consequential adjustments between world supply and demand could have been made through the price system and migration, as they were during the latter half of the preceding century. In fact, however, all nations, headed by the United States, have surrendered to economic nationalism, and to-day we are faced with its consequences—universal unemployment, social discontent ending in dictatorship, the renewed competition in armaments, and the rising threat of war.

II. THE PROBLEM OF THE "SUFFOCATED" POWERS

IT is no accident, nor the result of any special malignity, that the menace to the world's peace springs to-day from Japan, Italy and Germany. Except that Germany desires the reunion of all German majorities within her national State (principally by the *Anschluss*) and is prevented from sending troops into the Rhineland for purposes of defence, none of these States has any grievances of the old nationalist kind. They have national unity and self-government. Their fundamental grievance in each case is economic. They see no way of ending unemployment or of securing a reasonably rising standard of living for their peoples in their own territories. They are what have been called the economically "suffocated" Powers. Unemployment, and still more the lack of any assured economic future, has had in each case three fateful consequences: first, the establishment of some kind of autocratic government in order to maintain order at home—a form of government, however, that is quite unable to solve the problems by which it is confronted, despite its powers, because they are external in origin; second, the impregnation of the youth of the country with

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the conviction that only by war, or by a readiness to make the sacrifices involved in war, can their country's salvation be found; and, third, in Japan and Italy to imperialist foreign war, partly as a distraction but mainly in the hope that it will lead to the control of territory from which raw materials can be obtained and in which their own products can be sold or their surplus population settle. Unless some remedy can be found, it is inevitable that when she has recovered her military strength Germany will be driven along the same course.

For under the régime of economic nationalism, neither the other nations, nor the League, have yet done anything effective to meet the fundamental economic needs of the discontented Powers. The League, indeed, has so far been mainly concerned to resist attempts at expansion by way of aggression, and has scarcely even tried to remove the fundamental economic restrictions making for aggression. The other great Powers of the world—the self-governing nations of the British Commonwealth, Russia, France and the United States—though themselves affected by the universal economic nationalism—have relatively satisfactory access to raw materials or preferential markets or opportunities for migration within their own national or imperial domain, and support the League—or are friendly to its policy—as an instrument for maintaining the political and economic *status quo* by which they benefit. The small nations, while some of them also are interested in the questions of markets and raw materials, are huddled together in support of the League because their principal fear is that a general war might result in the loss of their own political independence or integrity.

If these conditions are allowed to continue, if the world continues to be divided into watertight economic compartments, some of which are able to maintain a much higher standard of living than others, two results are inevitable. The first is a continuing series of crises, leading to the formation of a military alliance system embracing all

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Europe, Asia and Africa, and ending in another world war. We have had two premonitory explosions already, one in Manchuria, the other in Abyssinia. Signs of an impending third explosion in central Europe when Germany is fully re-armed are already manifest. Unless something effective is done to relieve the economic pressures that cause this tension, the whole world outside America may be ranged in a new balance of power, one side concerned with the maintenance of the *status quo* and ranged under the Covenant of the League, and the other a frankly expansionist alliance. And if such a Eur-Asian conflict arose, inevitably far more savage and violent than the war of 1914, it is certain that the American republics could not long keep out, if only because the British Commonwealth is the outer ring of American security. If it were ever in doubt, as it was in 1916, whether the military expansionist Powers or the western democracies were going to win, and if it became possible that dictatorial Germany, Italy or Japan might inherit the British and French possessions in the Pacific or the Atlantic, the United States and the other republics after her would be quite unable to keep neutral, out of regard for their own security.

III. ECONOMIC NATIONALISM, SOCIALISM, AND THE COLONIAL QUESTION

BUT a further internal effect of economic nationalism must be noted. The struggle between sheltered and unsheltered industries, the unemployment and the consequential public works programmes and higher taxation, caused by the closing of the channels of international trade and unbalanced international indebtedness, have forced every government to interfere more and more in the internal life of its own country. As this process continues and appears more and more likely to be permanent, an internal political struggle sets in over the question whether that interference is to be in the interests of property or in

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those of the proletariat. In other words, economic nationalism is having the effect, not only of hastening and intensifying the controversy between socialism and capitalism—which in any case is likely to be the central political issue of this century—but also of forcing it towards extreme and violent forces, towards communism on one side and fascism on the other. This is not the place or occasion to discuss the merits or demerits of socialism or capitalism as an economic system. But there can be little doubt in the minds of readers of this review that the right way forward, whatever it may be, is along constitutional lines. Economic nationalism is making that road increasingly difficult to follow.

If the diagnosis of this article is correct, it is the practice of sovereignty in the economic field, given unrestricted play in Paris in 1919, that is the root cause of those tensions which are driving nations towards imperialism, alliances and war in external affairs, towards dictatorship and revolution at home. There are other causes, no doubt. But the most urgent and dynamic pressure towards war and revolution springs from that cause; and only if economic nationalism can be moderated sufficiently to lessen that pressure, and to give the nations a reasonable prospect of raising their standards of living by pacific means, will the present trend towards armaments, dictatorship and war be abated. Even the defeat of Signor Mussolini's aggression in Abyssinia, unless it is accompanied by a far more ambitious attempt to deal with economic nationalism, will do little to remove the fundamental causes making for war to-day.

It is not the purpose of this article to discuss ways and means of doing this. Its object is to direct attention to the essential nature of the problem that confronts those who seek to prevent war. But very briefly it seems to fall into two parts. The first is to remove by agreement the last elements of that political discrimination against Germany which has given power to the National Socialist

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régime.* That will not solve the problem, but there will be no real pacification in Europe until unilateral discrimination is ended. The second is to grapple with economic nationalism itself. Fundamentally it is a question of making possible a renewal of international trade, investment and migration by a reduction of the general international restrictions on the flow of goods, capital and migrants. That is the only remedy capable of affecting employment and the standard of living on the scale that is necessary.

The colonial question enters into the problem, but for reasons of national pride and *amour propre* far more than for economic reasons. The only considerable colonial area left in the world is Africa between the Sahara and the Zambesi. The peoples of Asia are rapidly moving towards self-government, and even the peoples of central Africa are beginning to become politically self-conscious and to have a real voice in their own administration. While there is much that could be done in the colonial field, in such matters as the open door for commerce, facilities for investment, the extension and revision of the mandate system, as part of an all-round peace settlement, the roots of the problem do not lie in Africa. Economically, countries like the Argentine and the self-governing Dominions and India, with tariffs and currencies of their own, have always been more important "colonies" for Great Britain than the crown colonies proper. The question raised by Sir Samuel Hoare in his Geneva speech of September last, whether countries without adequate natural resources in their own territories or in colonies they control cannot be enabled to buy foodstuffs or raw materials by exchanging them for

* It is interesting to note the list of German claims set out in an apparently inspired article in the *Frankfurter Zeitung* of February 4. Now that the reparations and military clauses of the Versailles treaty are ended, states the article, Germany's main revisionist aims concern: (1) the internationalised German waterways; (2) the distress in Memel and Danzig; (3) the one-sided regulations of the Rhineland demilitarised zone; (4) the former German colonies; (5) revision of the League Covenant by disconnecting it from the Versailles treaty itself.

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their own manufactures, is, perhaps, the aspect of the colonial problem that has most bearing on the problem under discussion. Territorial changes are the most difficult to agree upon and certainly cannot be considered until the fear of war has been lessened by a slackening of economic tension in some other way. An article on some aspects of the raw materials question appears elsewhere in this review.*

The heart of our present discontents lies in the pressures of unrestrained economic nationalism, set loose on the world by the policy of universal political self-determination, without free trade, upon which, under Anglo-Saxon influence, the Paris settlement was based. Either the nations can relax that nationalism, and once more make possible the adjustment of supply and demand, the world development by trade, investment and migration, that are essential to the continuance of democracy, to the peaceful survival of individual enterprise as the basis of our economic system, and to the avoidance of war and the success of the League. Or they can shut their eyes to the inevitable consequences of an entirely self-centred economic policy, and stumble blindly towards a new abyss of fascism, communism and war.

* See below, p. 306.

FRANCE AND THE CRISIS

EDITOR'S NOTE.—*At our request, a distinguished French publicist has written for THE ROUND TABLE this analysis of French opinion on the Italo-Abyssinian conflict and its repercussions. The article is a free translation from the original French.*

THE Italo-Abyssinian conflict is a matter of profound concern to French opinion, both in itself and on account of its international repercussions. Some of its various reactions have provoked a certain amount of surprise, particularly in Great Britain. Considerations of internal politics, questions of principle, of personalities and of political groups have been superimposed upon the issues of foreign policy, and a section of the press has not always managed to keep its head. Abroad, the general conclusion has been that French opinion is deeply divided on the Abyssinian problem. But the differences have actually been more on the surface than real. It is safe to say that in this business, contrary to all seeming, French opinion is extraordinarily united. As always, however, a distinction must be drawn between Paris and the provinces, between what is said and written in the capital and what remains unspoken and unwritten in the rest of the country. If a foreigner is to understand France he must always beware of Paris. Paris is a huge city, emotional, captious, always ready for a quarrel, yet always ready to forget, distracted by currents of passion of all kinds. But it is not Paris that leads French politics; still less does it represent the opinion of the country.

If you wish to plumb this French opinion, and really to

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know what is going on in the minds of the 40 million people who make up this nation, take the train from any station you please in Paris. Travel for an hour or two, or 15 hours if you like, for the distance matters little. As soon as you have put some 50 kilometres behind you, you will be in provincial France. North, south, east or west, on certain fundamental points the reactions of the provinces are identical. Leave your train at the first station that takes your fancy. Follow the street leading to the main square of the town. Sit down in one of those cosy, quiet cafés to which, when the day's work is over, come the public officials, the business men, the retired people, all that world of *petits bourgeois* which forms the real core of this country, to meet together and discuss the affairs of the day. Get into conversation with them. Plainly some are supporters of the Right, others of the Left, and on certain subjects you will find them vigorously opposed—yet even there more in theory than in practice. But if the talk is of French foreign policy, and particularly of the Italo-Abyssinian conflict, you will be surprised at the extent to which their minds are working on the same lines.

I. FRENCH OPINION AND ITALIAN AGGRESSION

AMONG 40 million French people, you could scarcely find more than a few thousand ready to applaud Mussolini for having preferred violence to negotiation, and for having embarked on this military escapade simply for the pleasure of making war, when he had been offered, in August at Paris and in September at Geneva, a diplomatic settlement that would have allowed him to achieve, with a little patience and dexterity, his essential aims in Abyssinia. To the typical Frenchman, this military expedition in the grand style appears dangerous, costly, and incapable of adding anything to the military glory of Italy, since the opposing forces are so unequal. Hence he regards the Duce's breach of the Covenant of the League of Nations

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as inexcusable. It is not that the Frenchman reposes an unrestricted confidence in the League of Nations. He knows too well its defects, its shortcomings, its weaknesses. He recognises that the absence of the United States, of Japan, and of Germany makes the Geneva structure exceedingly fragile. Nevertheless, the ideas behind the League of Nations, the principles on which it is built, correspond exactly to the Frenchman's conception of international affairs and of world peace. He views with misgiving anything that might add to its weaknesses. Mussolini's breach of the Covenant is bound, therefore, to appear to him in a sinister light.

The French, moreover, have had a long colonial experience, and are well aware that a forward colonial policy demands above all patience, adroitness, and time. They have never been believers in colonial conquest pure and simple. They have put Marshal Lyautey on a pedestal—Marshal Lyautey, who refused the very title of conqueror and whose methods of pacification were the reverse of those that Mussolini has chosen. From the first, the typical Frenchman has therefore considered that Italy was committing a colossal technical error in tackling the Abyssinian problem as she did. France would never have behaved in that way. Her colonial policy has always been to court the central government, with the aim of becoming its secular arm and of gradually pacifying the resisting elements in the name of this central government, like oil spreading over the water. But to declare war on the central government, to transport an army of 300,000 men, and to stake one's all upon an adventure that must succeed or fail in a few months, seemed to the French people one vast mistake. Hence they have regarded the Abyssinian expedition with a suspicious eye, all the more in that it might have serious repercussions in north and west Africa.

For all these reasons our typical Frenchman hoped up to the last moment that it would be possible to find an amicable settlement for the Italo-Abyssinian problem.

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This hope having been dashed, and Italy having chosen otherwise, he became definitely of the opinion that the Covenant of the League must be brought into play, that Italy's act of aggression on October 3 must be recognised for what it was, and that Article 16 must automatically come into force as far as financial and commercial sanctions were concerned.

This same bourgeois Frenchman argues nevertheless that, if Mussolini made a grave mistake in pushing forward this colonial operation in the face of world opinion, it would be a still graver mistake, by a process of logic gone mad, to transform a conflict that is, after all, relatively unimportant into a general European outbreak. The chief anxiety of French opinion, once war had broken out in Abyssinia, was to keep a sense of proportion about these events, and to prevent a chimney on fire in the Geneva mansion from becoming a general conflagration. It cannot be too often repeated that France is essentially and profoundly peace-loving. She lost a million and a half of the finest flower of her stock in the course of a four-years war that devastated ten departments. Such an experience leaves behind it for many years a horror of so barbarous and senseless a calamity. Hence the idea of a war against Italy, even if it involved only mere formal gestures, was repugnant to the French people. Nor could they be persuaded that it was sensible to make war as a demonstration against war.

On top of all this, France believes that Italy remains a powerful factor in the European situation. The problems of to-morrow will not arise only in eastern, but also in central Europe. We all have need of Italy as an insurance against the aggravation of these problems. It seemed to France an error of judgment to break up the indispensable union of Europe, in the shape in which it had been fashioned at Stresa, for the sake of an Abyssinian quarrel. For years Rome had adopted a violent anti-French attitude, which had greatly handicapped the organisation of European

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peace. It was an obstacle to the necessary settlement of the relations between the Succession States of the Austro-Hungarian empire. It was a powerful stimulus to the material and moral rearmament of Germany. Following certain developments, the Government at Rome modified its attitude, and a Franco-Italian *rapprochement* grew from 1934 onwards. It was crowned at Rome on January 7, 1935, by general and particular agreements that liquidated the past and opened up a new era in the relations between the two neighbouring Powers. France looked upon those agreements with a great deal of satisfaction. They rescued her from an anxiety about her Alpine frontier, which, although never grave, was quite disturbing enough, and above all they allowed her to co-operate with Italy in a policy of reconstruction and pacification in central Europe, a policy that forms one of the critical elements in the maintenance of general peace. Great Britain went far to encourage that *détente* and *entente*. And now, hardly six months after events so full of hope, a new tension threatened to arise between France and Italy, a tension that might even develop into a rupture of relations and into acts of war—an appalling prospect.

Another consideration has been equally powerful in persuading the French people to keep a necessary sense of proportion—a consideration that should be shared by British opinion. It is this. If it is important, indeed vital, that the Covenant of the League of Nations should be respected by all its members, then it would be foolish to push matters to the point where a great white Power would have to capitulate to an African country, of which it could not even be said that it formed a coherent nation, and which occupied but a lowly rank in the scale of civilisation.

France is a great colonial Power. She well knows what prestige must attach to the action of a great European country. Mussolini, it is true, has committed an unforgivable error in hurling himself into an ill-considered

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adventure and in thereby compromising the solidarity of the great white Powers; but when that has been admitted, it is essential to weigh the consequences carefully and to avoid making them worse. The French people hope that before it is too late a settlement can be found for this miserable Abyssinian affair, a settlement consistent at once with the authority of the League of Nations, the honour and responsibilities of Italy, and the rights that Abyssinia derives from her presence at Geneva. This is plainly something like squaring the circle. Indeed no solution could be fully satisfactory on the basis of so abstract an idea; the essential thing is to proceed as quickly as possible towards the main objective. French opinion regards the plan put forward at Paris by M. Laval and Sir Samuel Hoare as consistent with this policy. In French eyes, we had there the basis of an all-round settlement capable of fulfilling the three conditions mentioned above. For the rest, and in spite of what has happened since, the French people as a whole remain convinced that the final settlement that will be arranged sooner or later will not be very different from the principles that inspired the Paris plan.

II. GREAT BRITAIN AND ARTICLE 16

HOWEVER, the Frenchman-in-the-street realises that he is reproached, particularly in England, on some such lines as these: "My dear sir, after posing for years as the champion of collective security through the League of Nations, aren't you going to be more resolute in defence of your principles? Are you going to endorse a settlement of the Italo-Abyssinian conflict that puts a premium on violence? Have you then two policies, one for your German adversary, the other for the rest of the world? How would you have us conduct a collective policy, if at the very moment when it has to be applied you defend it with so little conviction, and if you

give weight to arguments that smack more of the old pre-war diplomacy than of the new moral code, which ought, as you yourselves admit, to rule the world? Don't you see that you are aiming a fatal blow at the very policy with which European security is bound up, and that in consequence you are cutting down the branch on which you yourselves are sitting?"

The French are aware of these arguments. Nor do they underestimate their weight. Moreover, they fully agree that on no account must the collective system or the League of Nations be sacrificed to the Abyssinian affair, and it is for that very reason that they profoundly approved M. Laval's action in maintaining at Geneva the traditional policy of France, and in adopting economic sanctions against Italy. The French are even conscious of having done more, perhaps, than other countries in this respect. For it must not be forgotten that the south of France is next-door neighbour to Italy and that in this area there are many and intimate economic exchanges between the two countries. For this reason a whole section of French trade has been paralysed by the closing of the frontier, and hundreds of millions of francs have been lost by producers and merchants who certainly have no markets to spare. Whole regions are facing ruin at this moment for the principles of the League of Nations. So let no one criticise France for having adopted a platonic attitude. When this affair is over we shall make up our accounts, and we shall see which sanctionist country has suffered most from the application of Article 16.

But the Frenchman may be excused a certain cynicism when he is reproached by the latter-day enthusiasts for the League of Nations and Article 16; for he recalls that for fifteen years he himself has suffered a certain disillusionment precisely on this point. For example, the famous Geneva Protocol of 1924, which was designed to ensure mutual assistance of an obligatory kind under Article 16, was soon given decent burial—by Great Britain. He

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remembers, too, that in the Manchuria conflict, of all the great Powers represented at Geneva, Great Britain was certainly the one that showed itself least resolved to pursue an active policy in defence of the Covenant—or, if you will, the most firmly resolved to do nothing about it.

Without going so far back, is it conceivable that only six months ago France would have negotiated the Franco-Soviet Pact if Great Britain had then taken up in regard to Article 16 as clear a position as she has adopted since? Certainly not. France had at heart no desire to bind herself by a special agreement with Russia. But she was uneasy about European events. Germany, she felt, must be made to realise that the continental balance must be respected and that no adventures, under whatever disguise, could be tolerated in the east of Europe. The Franco-Soviet Pact was nothing more than the translation of Article 16 from the abstract into the concrete—in other words, an attempt to take that article seriously.

It is impossible not to draw the conclusion that British policy has followed a zigzag line, which perhaps justifies French policy in maintaining its *sangfroid*. For that matter, was not the ideal of a collective policy somewhat upset last June, when France woke up one day to find that Great Britain had concluded a separate naval pact with Germany? That action did nothing to reinforce collective policy, nor even the collective undertakings that had only just been solemnly signed at Stresa.

III. THE FUTURE OF THE LEAGUE

THE Frenchman-in-the-street is well aware of the dangers inherent in the international situation. He ardently desires a definite peaceful settlement of Franco-German relations; for, when all is said and done, the idea of a conflict with his eastern neighbour is entirely hateful to him. Unfortunately he is bound to take notice of suspicious and disquieting things that are going on in

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Germany. Why this feverish rearmament, which is transforming the country into a sort of enormous armed camp, when not a single Power is threatening Germany? Why this intense nationalist spirit instilled into the German youth? Why this insatiable and heady policy, which, while constantly reaffirming Germany's desire for understanding and peace, always retreats as soon as an appeal is made for her international co-operation? Without exaggerating the immediate danger the French feel that they have always to face a serious—perhaps before long a fearful—German problem. France knows that for her the League of Nations represents a guarantee of peace. She knows that it is upon the basis of the League that she can remain in perfect harmony with Great Britain, which she regards as the only true guarantee of European security.

Nevertheless, one thing strikes the Frenchman when he goes on to consider developments since the war. It is that, while on a number of occasions the League of Nations has rendered remarkable service to peace, so long as it was a question of solving European problems—Upper Silesia, Corfu, Greco-Bulgarian incidents, Hungarian-Jugoslav incidents, Danzig, Memel, the Saar, not to mention others—each time, on the contrary, that similar complications have arisen outside Europe the League of Nations has found itself impotent in trying to solve them, and that impotence has been most injurious to the League itself. This has held true in South America, in Manchuria, in Abyssinia. Do not these facts represent more than a coincidence? Ought we not to conclude that the League of Nations should be primarily an organisation among Europeans and that it is foolish to seek to impose it upon the whole world? On the morrow of the war, it seemed right to pour all the nations into the same stew without bothering about how well they were cooked. Abyssinia herself may be taken as an example; for clearly she has not yet reached a high enough stage of evolution to hold a normal place in the League. Equally clearly, all kinds

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of errors have been committed from time to time at Geneva. Nothing could be more natural. No good thing is forged save under the hammer of trial and error. But we must not remain the slaves of our previous mistakes.

In 1930 M. Briand, who may have had many faults but who will doubtless be recognised in due time as perhaps the most constructive figure of our age, suggested indeed that under the ægis of the League of Nations there should be set up a "European Commission", which would have served to strengthen the bonds of the League among the continental States. Doubtless this proposal was premature; for it was greeted in every quarter with objections and refusals. Nevertheless, we shall have to come back to that more modest but at the same time more sensible conception of security and peace. The Frenchman believes that what matters above all is to afford Europe more cohesion, more solidarity. The Stresa policy well served that ideal. France therefore ardently hopes that the Italo-Abyssinian conflict will not develop in such a way as to compromise the Stresa policy irretrievably for the future of Europe. Even higher than the Stresa policy, however, Frenchmen value firm Anglo-French co-operation. They know, indeed, that that is the primary condition both of the Stresa policy and of all European policy—in a word, of peace itself.

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IV. SHIPS, AEROPLANES, AND MEN

LET us therefore turn once more to the problem in hand with the idea of dispelling, if possible, the misunderstandings to which it has given rise. Apart from the general outlook on the Italo-Abyssinian conflict, a special Anglo-French misunderstanding has momentarily arisen. Why? Let us face the subject frankly. In the speeches of British statesmen in the House of Commons on December 19, one idea constantly reappeared. Sir Samuel Hoare, Sir Austen Chamberlain and Mr. Baldwin alike laid

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emphasis on the fact that Great Britain had been alone in taking military precautions. Here is the British argument. "The Royal Navy has been concentrated in the Mediterranean; reinforcements have been sent to Egypt, to Malta and to Aden. Yet no other country has moved a ship, an aeroplane or a man. (Cheers from the Government benches.) There must be more than general professions of faith in the League of Nations—not because we, the British Empire, are afraid of an Italian attack, but because, without such active co-operation, collective security is impossible, and the League of Nations will dissolve. (Fresh Government cheers.)"

In that argument lies the heart of the present Franco-British misconception. With the best of good will there has been on both sides a misunderstanding, which must be cleared up at whatever cost. In the middle of September Great Britain sent certain ships into the Mediterranean, and she appears to reproach other countries—that is to say, France—for not having taken similar measures. "We at least have backed the policy of collective security at some cost and risk to ourselves." British opinion draws the conclusion that Great Britain has been the only Power to act correctly in defence of the Covenant, and that France, hypnotised by her recent friendship with Italy and in contradiction of her own principles and her own past history, is to blame for having adopted a negative attitude. But this way of looking at things does not conform with realities.

The presence of British naval forces could have been fully justified if—once Italy had committed her breach of the Covenant—it had been agreed at Geneva that Article 16 must be fully enforced and that sanctions of a military character were to be applied against the aggressor. But in the middle of September the breach of the Covenant had not yet taken place. It was still possible to hope that Rome would agree to negotiate on the basis of the proposals of the Committee of Five. All the Italian experts who were

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at Geneva, not to mention others, favoured such a settlement of the conflict. It is known, moreover, that at the Fascist Grand Council in March the Duce alone expressed himself in favour of military intervention in Abyssinia. Thus right up to the last moment it was possible to hope that Mussolini would fall in with the advice of all his colleagues, of all his technical experts, of all his friends. In any case, so long as no act of war had been committed, no breach of the Covenant could be regarded as having taken place, nor in consequence could any military measures be taken. That is the first fact.

The second fact is this. After the outbreak, it was decided with one accord that military sanctions should not be applied against Italy, and that only financial and commercial sanctions, such as must automatically follow an act of aggression, would be put into force. Not even to-day does the British Government envisage the application of military sanctions. Then why should the members of the League of Nations have sent "ships, aeroplanes, and men" into the Mediterranean area? Either "ships, aeroplanes, and men" were to be sent into the Mediterranean in order to oppose the Abyssinian expedition by force, in the name of the Covenant; and in that case such a demonstration—for which there would certainly have been a legitimate excuse—ought to have been carried out collectively as the outcome of a decision taken jointly at Geneva. Or, as the only alternative, pressure was to be brought on Italy by the financial and commercial means indicated in the Covenant, but without using military measures; and in that case there was no reason for mobilising "ships, aeroplanes, and men".

Yet, in the middle of September, Great Britain, on her own responsibility, sent the Home Fleet into the Mediterranean. She had, indeed, a perfectly legitimate reason—legitimate not only from her individual point of view, but from the collective point of view also, since any threat of war against a State member should be opposed by all the

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States bound by the Covenant. The Government at Rome, not content with attacking Abyssinia, beyond all question threatened Great Britain. From the end of August onwards, vast camps, intended to house whole divisions of troops, were surreptitiously prepared in Libya, on the borders of Egypt. An anti-British agitation, which has gone on increasing ever since, started at the same time within Egypt itself. On September 10, the first detachments of three Italian divisions disembarked in Tripoli en route for these camps. It was at the moment when the vessels transporting these troops left Italy for ports in Tripoli and Cyrenaica that the Home Fleet received the order to move. By that time the Italian threat against Egypt was plain, and it was natural that Great Britain should take elementary precautions against it. No other country would have acted differently. But the Government in London ought to have told the world honestly what it was doing.

The League of Nations and international opinion ought to have been warned. The suspicious developments in Libya ought to have been denounced, and they ought simultaneously to have been brought within the scope of collective security; for Italy's unprovoked preparations jeopardised the security of Egypt, and Great Britain guarantees the military protection of that country. No one knew what was going on. Learning all of a sudden that the Home Fleet was passing through Gibraltar, the average Frenchman simply interpreted this sensational fact as a sort of veto placed by Great Britain upon Italian ambitions in Abyssinia, which seemed to him a threatening gesture, selfish, excessive, disproportionate. If he had been wise to the fact that the Italian Government, by presenting a threat not only to Abyssinia, but also to Egypt, that is to say, to Great Britain, was courting the risk of a general war, he would surely have judged Mussolini's action very differently. But the Frenchman knew nothing of this—and how should he have known, when Great Britain herself, instead of explaining what was happening,

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went on denying that she had any sort of personal grievance against Italy, and reiterated that the only conflict at issue was that between Italy and Abyssinia? It is precisely because Great Britain's uneasiness and her precautions were well founded, and were moreover founded on the collective system (since any threat to a State member must be regarded by the others as a threat to themselves), that Great Britain should have explained to the League of Nations, when she moved her "ships, her aeroplanes and her men", why she was moving them, and should have demanded the taking of similar measures collectively.

The moral of this affair is that collective action is very difficult to apply, and all the more difficult in that it is still only in the experimental stage. This experience proves that such a policy must be based on complete candour and precision. Indeed are not those the cardinal virtues of all foreign policy?

V. CONCLUSION

THAT, as we see it, is the position of the mass of French opinion about the Italo-Abyssinian conflict and its repercussions. The reader may rejoin: "But when we read the French press and the speeches of your politicians in the Chamber of Deputies, we get the impression that you have blinked the difficulties of the problem and that French opinion is extremely divided." Pay no attention to the hot air of Paris. It is all on the surface, and is bound up with questions of personalities and cliques, or with complicated issues of internal policy, rather than with considerations of foreign policy pure and simple. Make sure of one thing: it matters little in the end whether M. Laval or somebody else presides at the Quai d'Orsay—call him X or Z, take him from the ranks of the Left or of the Right. They will all pursue the same policy. Men and parties are as nothing in face of what has been for centuries, and will remain for centuries to come, the conservative instinct of a great nation.

THE END OF THE WASHINGTON TREATIES

I. AFTER THE LONDON CONFERENCE

WHEN Japan withdrew from the London Naval Conference in January she did no less than was expected, yet her act took many by surprise. Every instructed observer knew that her sense of prestige was deeply involved in the demand for parity in naval strength with Great Britain and the United States, and that it would be difficult, if not impossible, for her negotiators to return to Tokyo with that demand unsatisfied. None the less, there seemed to be a possibility that, when confronted with the responsibility of bringing the Conference to nought and when faced with the ensuing risks of a thus emphasised isolation, the Japanese Government would find a way to circumvent a crisis. And during the days that immediately preceded the final decision to withdraw, it was clear that Tokyo was perplexed, not to say torn in two, in a struggle between the navy's short-sighted insistence upon its right to be treated as an equal by the British and American Admiralties and the wiser prudence of certain statesmen who knew that in the *status quo*, even of the Washington and London naval treaties, Japan clearly enjoyed something more valuable than mere parity, and that it was folly to increase Anglo-American suspicions by insisting on the "common upper limit". But the navy had their way, and revealed Japan once more still in the grip of "the iron infantility of the military mind".

The treaties of 1922 and 1930 gave Japan complete security in her own waters; indeed, when read in the light of the naval obligations of the British Empire and America,

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they gave her so much more than security that it is hardly an exaggeration to say that from Hong Kong to the Arctic Ocean she has enjoyed a free hand for fourteen years. As long as these treaties remained valid, the Japanese Admiralty, striking a balance between the meagre disadvantages of an inferior ratio in naval tonnage and the preponderating advantage of freedom from overseas menace, conferred by the Anglo-American pledge not to fortify any naval base within striking distance of Japan, could guarantee Japan herself from invasion and offer the Japanese army an undisputed field of operations in north-east Asia. If Japan had left the parity question alone, she might possibly have gained a valuable advantage in an agreement of a qualitative kind—limiting the size, and therefore the range and armament, of ships—which would still further have strengthened her position in the western Pacific behind the non-fortification clauses of the treaties. Moreover, along this line of diplomacy she had some hope of separating the two English-speaking peoples, and thus of allaying one of her alleged fears, whereas her recent tactics have brought them nearer together than they have been for some years past. Thus Japan has clarified the problem of the Far East by an undisguised revelation of the aims of her naval and military staffs, and has given the English-speaking peoples on both sides of the Atlantic a powerful reason for reviewing the situation thus created.

There is cause for apprehension on all sides. In the long run Japan courts the greater risk, for her present line of action, in London, in Nanking, and on the Manchurian frontier, alienates all and conciliates none. Her military rulers of to-day seem bent on putting to the test the whole destiny of expansion foretold for her in the notorious, though almost certainly spurious, Tanaka Memorial, and the ease with which the recent steps of her progress in north-east Asia have been won seems to encourage in them the belief that she can proceed to the limit of her dreams without encountering resistance or inviting disaster. No

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doubt, in the way the world's scene is set to-day, her star is in the ascendant and the immediate risk she runs is small, but the setting of the world's scene will change, and some of the now quiescent actors, as they move to take a more active part in the future in the Far East, will not forget the provocation that Japan now offers them with impunity. It may be said, and with truth, that the Japanese are only following the example of other imperial nations in their former campaigns of expansion. It may also be said that they merely seek to create an economic *bloc*, controlled by their own power, in a world where economic nationalism denies them free access to other markets and other sources of supply. But the first of these pleas is but a plea in extenuation; and the second is founded on the delusion that the Manchukuo-Japan *bloc*, even with half of China added to it, can serve the ultimate needs of Japanese productive industry at home.

Thus for those Japanese who can see beyond the easy conquests of the moment there is reason for growing disquiet; and it must surely be the aim of the civil leaders of the country (even in this moment of their impotence) to do what they can to restrain their headstrong military masters, so that, when the civil power is restored to real authority once more, the situation of Japan shall not be as desperate as it threatens some day to become. One gallant veteran among these civil leaders, Mr. Korekiyo Takahashi, has done his best to warn his country of the financial risks involved in a policy that diverts nearly 50 per cent. of the total national expenditure to the cost of Japanese armaments and entails a heavy increase to the national debt for the fifth year in succession. But his is but one voice—no doubt cogent in its plea—crying in a wilderness, and all other voices are silenced by press control and by the simple expedient of a premature dissolution of the Diet.

In present circumstances, however, the Japanese people will not be influenced by any foreign comment, even if

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they were allowed to hear it. Their own experience alone will have such influence; and the reason for growing apprehension in other countries is to be found in the doubt whether experience will show Japan the inexorable limits of her present policy before it is too late. Not long ago one of the highest officers of the Japanese Government, when asked why Japan should take the risk of incurring (in different measure perhaps) the displeasure and eventual hostility of her three great Pacific neighbours, Russia, the United States and Great Britain, merely shrugged his shoulders and replied, "Here we stand, and can do no other". This fatalism seems to paralyse the mind and to immobilise the forces of civilian and reasonable opinion, while it displays itself in military circles as a sense of divine destiny. It is high time to ask whither that destiny may lead Japan and what problems it holds in store for the other Powers.

II. JAPAN AND THE WORLD POWER SYSTEM

THERE was a time when the politics of the Far East were governed by the principle of the balance of power, and less than a generation ago the Chinese question was considered only as a minor aspect of the armed equilibrium in Europe. When Lord Salisbury, thirty-eight years ago, took the lease of Wei Hui Wei, all he saw was a momentary picture of the European diplomatic problem thrown on a Chinese screen. And while one of the British motives of the subsequent Anglo-Japanese alliance was to take out a new insurance policy for the British Empire in the East, another and perhaps more important motive was to localise in the Far East the then threatening conflict between Russia and Japan in Korea and Manchuria, and thus to prevent a Russo-Japanese war from breaking the peace of Europe. Hence the alliance served a valuable twofold purpose; and in the Great War it was a strong buttress to the Allied cause. Let us note, also, that it

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performed a unique service to Japan in the critical period of her rise to power. And if the factors in world politics had remained the same after the war as they were before, there would have been strong reasons for renewing the alliance in 1922. As long as the balance of power oscillated upon a fulcrum in Europe, with none but European weights in the scale, it was both possible and wise for the British Empire (being both a European and an extra-European Power) to serve the whole interest of the Commonwealth of British nations by bringing the Japanese weight to its own side of the scale.

But, in the thirty-four years that have since elapsed, and particularly in the past seventeen, the historic equilibrium has changed, not only by a redistribution of the factors formerly composing it, but also by the appearance of a new factor—namely, the United States of America. The pre-war balance was essentially European; the post-war balance is world-wide, and is still, moreover, confusedly in the making. Finally, a new type of international relation was introduced by the Covenant of the League, which was conceived, ideally, as superseding the balance of power by the doctrine of collective security.

Now, the first attempt to treat the problems of the post-war period in the Far East was made under the influence of this collective principle. The Four-Power, Nine-Power and naval limitation treaties were the foundation of a system designed to equip the Pacific Powers with instruments of reform and pacification and to operate as the predestined substitute for the "politics of power". It is true that, both in 1922 and in the earlier discussions of the scope of the new consortium, Japan had tried to persuade her co-signatories to recognise her "special interests" in continental Asia, and may thus be said to have warned them that she could only accept collective responsibility with reservations. But, both at the time of the Washington Conference and for at least six years thereafter, Japan acted in a manner that indicated, not only that she was

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prepared to honour her signature, but also that she interpreted the functions of the Washington treaties in much the same light as did Mr. Stimson when he declared that they were integral parts of one coherent whole. It will be remembered that, as American Secretary of State, Mr. Stimson said that America had consented to relinquish "her commanding lead in battleship construction" only because she believed that the Four-Power and Nine-Power treaties offered a satisfactory alternative to the appeal to force in the politics of the western Pacific Ocean. Thus it may be said that the English-speaking Powers believed they were paving the way for the inauguration of peaceful collective responsibility by limiting their sea power, whereas the new controllers of Japanese policy to-day retort that, when Great Britain and America undertook to refrain from fortifying their naval stations in the Far East, they were merely demonstrating the fact that to them the Far East was not a major sphere of interest in which they could be expected to pursue an active policy, either with or against Japan.

The net result of the whole proceeding is that the naval limitation treaty no longer operates west of San Francisco, that the Nine-Power treaty has failed of its true object in assisting China, and that the Four-Power treaty is still intact, mainly because Japan does not choose to challenge it. Whether the time will ever come when she will challenge it seems to depend on three things: first, upon the course of action that America decides to take during the next ten years in the Philippines, which will enjoy "independence" in 1945; second, upon the extent to which Japan succeeds, or fails, to satisfy her real needs in north-east Asia; and third, upon whether in the course of her continental policy in the latter region she comes into conflict with Russia. The key here is in the second element, with which the third is closely linked, and the first is more closely related with them both than the Congress that enacted the Philippine Act of Independence

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seemed to realise. And all of them will ultimately raise questions for the British Empire which its members will do well to face now.

We shall here assume that of the three objects of her present policy Japan will attain two, and fail in the third. These objects are dynastic, strategic, and economic. The word dynastic is here used to describe the endeavour to restore the Kingly Way of Government in Asia, by driving out republicanism, democracy and communism, not only from Japan but also from every region in eastern continental Asia that she can control or influence. This motive, growing powerful with the renaissance of Old Japan under the leadership of the army, has put Kang Te upon the throne of his forefathers in Manchuria and will carry *Kodo* (the monarchical principle) further yet. It may be said to have won no little success already. The strategic motive also is well on the way to satisfaction; but if the military party push their present advantage to the point where Russia must retaliate, in order to protect her Siberian interests, Japan may run into serious danger. But assuming she does not, the third object remains in her economic needs.

And here it is reasonably plain that the hope of self-sufficiency within the Japan-Manchukuo-China *bloc* cannot be realised. In a word, Japan cannot complete her destiny in "East Asia", but must turn elsewhere: and both her temper and the character of her policy when she does so turn will depend on the nature of the opportunities then open to her. If the military party is still in control at that moment in the future, and if, meanwhile, America should interpret the independence of the Philippines as her own evacuation of the Far East, the policy that won Manchukuo will be repeated and the Philippine Islands will be swept into the orbit of Japan. If, on the other hand, the moment when Japan realises the economic inadequacy of her present continental policy happens to coincide with the adoption by other Powers of a more liberal economic policy, there might be some hope of a

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decline of militarism and a return to more sober courses in Japan itself. Thus the opportunities that may be open to Japan in the next few years are, or may be, of very different kinds, but the factors that will prove decisive in the making of these opportunities are at present uncertain. It may be that, owing to American policy in the Philippine Islands, providence is preparing another easy conquest for the Japanese, which will feed the appetite for expansion, and justify aggression by success. In either case the defence of the existing interests of the British Commonwealth is deeply involved; in the first, by a challenge that might provoke an appeal to arms, in the second by the plain necessity for a policy, not so much political as economic, of world-wide imperial scope, and not merely confined to, or emanating mainly from, the United Kingdom.

Both eventualities require consideration now. Let us take the more forbidding first. It would seem that war is fatally inherent in the policy and in the mood of Japan to-day. Men trained to war, and to war alone, are now at the helm, and for years past they have taught their people to believe that their destiny depends on the possession of power. In the last resort, therefore, the British Empire, as one of Japan's neighbours in the Far East, and throughout the Pacific Ocean, must reckon with the possibility that, finally, it may be involved in war in self-defence. There is, as we shall point out later in this argument, an alternative to this conflict; and, in reckoning all the factors in the problem as a whole, it seems likely that other Powers may be involved before the British Empire. Nevertheless, it is idle to ignore the fact that the threat of an eventual war does exist. At the present moment, and as long as Japan continues to pursue her continental course, the danger is one that concerns Russia more actively than either America or the British Commonwealth. Therefore, in the shorter view, Australia and New Zealand are justified in believing that Japan's present commitments in Manchuria and Mongolia give them relief

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from the risk of Japanese expansion, southward by sea, which might sever their communications with Europe and the home country and leave them at the mercy of Japan.

But the situation will change when Japan discovers that her economic expectations from her Manchurian-Mongolian policy cannot be realised; for then, whatever she may believe to be necessary for the strategic defence of her expanded frontiers facing the Soviet Union, she will be driven to divert her programme of territorial and economic expansion towards other goals, which will bring her across the path, first, of the United States (given one condition), and then of the British Empire. There is already in Japan an active propaganda, largely of naval inspiration, which points in this direction, and there is a growing belief that Philippine "independence" means that America intends to retire to her own eastern half of the Pacific Ocean. Frankly, this seems to us unlikely. America has for over a century taken a more active interest in the Far East than in any other part of the world except her own continent, and the truth about her present Asiatic policy is that it is full of contradictions, which will not be resolved for some ten years to come. In the last resort it is improbable that America will stand calmly aside and leave Japan free to make the western Pacific into her own *mare nostrum*, which for all other Powers would mean a *mare clausum*. But there is so much that is unpredictable in the American attitude that any realistic estimate of the future must include the possibility that America may not impose her veto on a Japanese advance from Formosa to Manila.

III. THE PROBLEM FOR THE EMPIRE

FOR the British Empire, then, there are three possible situations to meet: first, a struggle between Russia and Japan in the north, which would relieve the threatened pressure on the oceanic interests of the overseas Empire and America; second, Japanese expansion towards Hong Kong, Manila and Singapore that encounters American

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resistance; third, the same expansion *not* encountering an American veto, which would bring Japan upon the exposed flank of British imperial communications from the Indian Ocean to the South Seas.

The first of these—assuming a Japanese victory, which is not by any means certain—would postpone Japanese expansion southwards for a considerable time, and might engage Japan so deeply in continental commitments in north-east Asia that she would be unable to pay much attention to anything else. What the consequences of a Russian victory would be for India we do not for the moment propose to enquire, but the consequences in the Far East would probably bring the whole Far Eastern question into closer connection with Europe than has been the case for many years.

The second eventuality would almost certainly find the British Empire supporting America in the determination to resist imperialist aggression outside the Asiatic mainland. If that be a true diagnosis, it is desirable that the English-speaking Powers should forestall the threatened conflict by showing Japan that, in the last resort and undeterred by differences of interest in other fields, they will be found standing together, and by showing her also that this co-operation is not designed to encircle her with iron bands to stifle her life, but solely as an insurance against an intolerable inroad on their vital interests. There is here a genuine basis of Anglo-American co-operation which does not exist in any other region; but since it does exist here, it is much to be hoped that the British and American Governments will take the occasion of the Naval Conference to proclaim their resolve to stand upon it.

The third situation is the most critical of all, and although it is not immediate it cannot be regarded as so improbable as to be ignored in a review of the Far Eastern and Pacific Ocean policy of the British Commonwealth. Nakedly stated, it presents the British nations with the possibility of a threat to the communications between them, if not to

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their very existence as partners in a common peaceful enterprise of economic growth and political development. Doubtless it would affect them unequally; and if it be admitted that the immediate threat must be felt first by the United Kingdom, Australia and New Zealand, with India, Burma and Malaya in danger, in the final resort every corner of the Empire must be involved.

It is believed in some influential quarters in Japan that the Empire cannot parry such a blow, nor strike back. This appears to us to be a dangerous delusion, fostered by the circumstances of the moment, in which Great Britain is mainly preoccupied with the European problems at her door, and by the reluctance of the British taxpayer to shoulder great financial burdens for the sake of imperial defence. The Admiralty is thus put into the position of saying that it cannot guarantee adequate power in three places at once: in the North Atlantic, in the Mediterranean and at Singapore. But we can hardly doubt that, by a combination of shrewd diplomacy and expenditure on naval armament, the British Empire (if summoned thereto by a real threat to its security) would and could make the required effort. We think it necessary to put the issue thus, not because we look upon it with equanimity or with anything but profound regret, but because foreign critics (especially among Japanese naval propagandists) are prone to repeat the crucial error of their German prototypes before the war and to assume that the British nations have become effete and are losing both the will and the power to survive. In a real and honourable sense the people of Great Britain and their partners in the Dominions are pacifists to-day, but we see no reason to suppose that they care so little for the new Commonwealth system they have created as to refuse the effort necessary for its maintenance.

Cold realism so far compels us to face these formidable prospects in terms of an eventual appeal to force. But in so presenting the case THE ROUND TABLE is not prophesying inevitable war. Rather is it attempting to foresee the

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ultimate fate of war, if certain conditions obtain in the future, and if, meanwhile, policy, of which war is but one expression, fails to deal with the developing situation and thus to forestall by adequate measures the resort to force. One of these measures is certainly the readiness for self-defence, within both the League-wide and the British collective systems. But a policy that rests solely on the determination to meet force with force is quite inadequate. Without exaggerating the importance of the economic factor in the Japanese problem, we are convinced that it plays a part in Japanese policy to-day that requires us to shape our policy to meet it. We have already attempted to show that Japanese continental expansion derives its real power from the generating station of two motives, the dynastic and the strategic, and that its economic aims can never be fully won. And if we acknowledge, as we probably must, that no bargain of the market place can possibly induce Japan to desist from her strategic-dynastic purpose in the north-east, we are probably justified in believing that, if and when she turns southward, the economic motive will be her chief excuse for aggression. We need pay little heed to the plea that Japan needs new homes overseas for her surplus people, because every serious student, both Japanese and foreign, knows that emigration on a large scale is not the solvent of her troubles. But when we review her position in its whole economic aspect we can see, and willingly, that there is truth in the well-known Japanese slogan, "Relief from pressure at home by expansion abroad."

Is it too much to say that in our hands, in the hands of the British Commonwealth and the United States, lies the future meaning of that word "expansion"? And if it is in our power to influence the Japanese interpretation of their own slogan, are we not bound to act on that assumption and thereby to insure both the Western Powers and Japan herself against the alternative of conflict? In our possession of many sources of vital supply, in our control

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of many important markets, both in the tropics and in the temperate zone, in our command of capital for investment, we hold a controlling influence over the whole situation in its economic aspects. Japan already knows the effect upon herself of tariffs, quotas and other restrictions upon trade. Merely to relieve her of that pressure, however, without genuine and compensatory advantages to the English-speaking Powers, and through them to many others, would be a short-sighted and pusillanimous policy. For the moment, no doubt, we may welcome the recent Canadian agreement with Japan, just as the Indian reciprocity agreement was a welcome temporary alleviation of tension; but it will be the part of wisdom for the British Commonwealth as a whole to evolve a policy that shall be neither a United Kingdom, nor a Canadian, nor an Australian, nor a crown colony policy, considered piecemeal, but a complete programme designed to serve both economic and political ends. We, as a Commonwealth, have much to offer to Japan; and we must surely be prepared to offer it, provided she will accept our conditions.

In what has been said above it is reasonably clear what our conditions are. In the political field, they ought to include a re-statement in moderate form of Japanese claims in eastern Asia, which shall recognise the not-immoderate rights of the Western Powers and pay respect to the spirit of Japan's own pledges towards China. In the economic field, they are comprised in the compendious phrase "equality of opportunity", which is perhaps the better way of expressing the former principle of the Open Door. And, following these, there must be an arms agreement, which is useless without a prior political understanding. In our view, none of these can be interpreted as a hampering restriction of Japanese rights. Nor do they imply any attempt to dictate Japanese policy. An agreement based upon them could in no way impair the preponderating advantages given to Japan in the Far East, while the resultant clearing of the stormy sky would be a boon to all.

EGYPT : THE BACKGROUND OF NEGOTIATION

I. THE DECLARATION OF 1922

ON February 28, 1922, the British protectorate over Egypt was terminated by a declaration that Egypt was an independent sovereign State. The British Government qualified its declaration by "absolutely reserving" to itself, pending conclusion of agreements with the Egyptian Government, the following matters :

- (a) The security of the communications of the British Empire in Egypt;
- (b) The defence of Egypt against all foreign aggression or interference, direct or indirect;
- (c) The protection of foreign interests in Egypt and the protection of minorities;
- (d) The Sudan.

Until a treaty could be concluded between the two Governments, the *status quo* in all these matters was to remain intact.

The 1922 declaration was little relished by anyone in Egypt. The majority of British officials and foreign residents regarded it as a premature abandonment of the task undertaken by Great Britain in 1882. Egyptian politicians declared that the British protectorate over their country had been made permanent. It was freely prophesied that the declaration would prove to be only a phase and would speedily be followed either by reversion to stricter British control or else by the grant of more effective independence than seemed possible under the 1922 instrument. These expectations have not been realised. The 1922 declaration has continued during fourteen years to

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be the basis of British policy in Egypt. The history of Egyptian politics since 1922 is largely the story of attempts to reconcile sovereign independence with the formidable and elastic reservations attached to the 1922 grant.

One of the first needs of an independent Egypt was a constitution, and a commission of thirty members, a not very representative body, set to work to draft a charter. It leaked out that the constitution was to describe the Egyptian sovereign as "King of Egypt and the Sudan," which would have been tantamount to denouncing the Anglo-Egyptian condominium in the Sudan. As that country's affairs had been definitely excluded in the 1922 declaration of Egypt's independence, the British Government informed the Prime Minister, Mohamed Tewfik Nessim Pasha, that the intended reference to King Fuad's sovereignty over the Sudan could not be accepted. Nessim Pasha resigned; and under his successor, Yehia Pasha Ibrahim, the challenging reference was dropped from the constitution, which was promulgated on April 19, 1923. It proved to be almost a slavish copy of the Belgian constitution, with little regard to the history, customs, laws, organisation and needs of the Egyptian people. The Senate was to be constituted, as to two-fifths of its members, by royal nomination. Three-fifths were to be elected, election being in three stages, each elected senator representing a constituency of 180,000 inhabitants. The Chamber of Deputies was to be elected by a two-stage system, groups of 30 voters choosing an elector-delegate; and the country would be divided into constituencies with 60,000 inhabitants in each. On the basis of the latest census at that time, there would be 118 senators and 214 deputies.

While foreign observers considered the constitution dangerously advanced for a country in Egypt's stage of political evolution, the Egyptian nationalists expressed an opposite view. Saad Zaghloul Pasha returned late in 1923 from exile at Gibraltar to resume the presidency of

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the Wafd,* which at that time included almost all politically active elements in the country; one of his first declarations was a hearty condemnation of the 1923 constitution, which, he affirmed, prevented expression of the people's will and made modification of its own provisions almost impossible. Zaghloul Pasha's criticisms of the constitution and the electoral law—which he considered archaic—were tempered somewhat by the fact that the first elections for the Egyptian Parliament, concluded in January 1924, gave his party, the Wafd, 190 seats out of 214. Yehia Pasha Ibrahim's Government resigned, and Zaghloul Pasha accepted King Fuad's invitation to form a Ministry.

The first Egyptian Parliament assembled on March 15, 1924. Almost immediately relations between the British and Egyptian Governments began to be uneasy. Zaghloul Pasha never accepted the 1922 declaration as a definition of the Anglo-Egyptian position, and his Government made continual attempts to deal with domestic affairs in ways which, in the British Government's view, encroached on the subjects that the British Government had "absolutely reserved" to its own discretion. The British Government hoped that the treaty anticipated in the declaration might be concluded at an early date, and as Zaghloul Pasha was the only Egyptian politician with whom at that time negotiations could be contemplated, Lord Allenby's first reminders to Zaghloul Pasha of the British Government's position were framed in conciliatory terms. But occasions for the Residency in Cairo to recall to the Wafdist Government the facts of the situation became increasingly frequent and concerned matters of greater and greater importance. The Egyptian Government proposed to take various steps, such as striking out the annual subvention to the army of occupation in Egypt, and refusing to continue service of the Ottoman Loans secured upon the Egyptian tribute, which were palpably inconsistent with continuance of the *status quo* laid down in the 1922 declaration. In spite of

* "Wafd" is an Arabic word meaning delegation.

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the increasing difficulty of maintaining friendly relations between the two governments, Zaghloul Pasha was pressed to go to England to negotiate a treaty and left Egypt in July 1924. Very brief discussions with Mr. Ramsay MacDonald showed that Zaghloul Pasha's idea of a treaty was simply that Great Britain should abandon all control, interest or influence in Egypt, without any concession by Egypt in return. Zaghloul Pasha returned to Egypt, and very soon afterwards the Sirdar (Commander-in-Chief) of the Egyptian Army and Governor-General of the Sudan, Major-General Sir Lee Stack, was murdered in Cairo. A British ultimatum was speedily followed by the resignation of Zaghloul Pasha, and Ahmed Ziwar Pasha formed a Government.

New elections were held, the Wafd secured a small majority, and Ziwar Pasha submitted his Government's resignation, which the King refused to accept, decreeing, instead, the dissolution of Parliament, on March 24, 1925. That year saw the emergence of a new feature in Egyptian politics. Hassan Nashaat Pasha, a young official in the palace, had become King Fuad's confidential adviser and had persuaded His Majesty to foster the creation of a palace party. Called the Ittihad (Unionists), this party first achieved effective existence when some of its members were included in Ziwar Pasha's Cabinet. In the summer of 1925, when Ziwar Pasha was absent on holiday in Europe, a quarrel occurred between the Ittihad Ministers and their Cabinet colleagues. Exploited by Nashaat Pasha, this dispute led to the resignation of the non-Ittihadist Ministers, with the result that the Cabinet became nothing but a group of palace servants. Without any popular support, this Ministry prepared a new electoral law, very reactionary in its provisions and considered by the country as violating the spirit of the constitution. At this stage Lord Lloyd arrived in Egypt, and after taking stock of the situation he advised King Fuad to find another post for Nashaat Pasha, who was sent as Minister to Madrid. The first experiment

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in imposing palace rule on constitutional Egypt had ended.

Elections in May 1926 gave the Wafdists 150 seats out of 214. A Ministry was formed under Adly Yeghen Pasha, Zaghloul Pasha contenting himself with the Presidency of the Chamber of Deputies. In the following year, when Abdel Khalek Sarwat Pasha had succeeded Adly Yeghen Pasha, there occurred an acute political crisis over the Egyptian army. The Egyptian Government were proposing to increase the army's size and modernise its equipment, while simultaneously decreasing the powers of the British Inspector General. Lord Lloyd believed that it was intended to make the army an instrument of the Wafd's policy, possibly eventually to bring about a dynastic revolution. The dispute, like so many other Anglo-Egyptian differences since 1922, revolved round the question whether the army came under the reservations of the 1922 declaration. Lord Lloyd was emphatically of the opinion that it did: the Egyptian Cabinet was equally positive that it did not. After a long period of tension the matter was settled in accordance with Lord Lloyd's view.

In 1927 Zaghloul Pasha died and was succeeded as President of the Wafd by Mustapha Nahas Pasha. In the summer of 1927 Sarwat Pasha was in London and began negotiations with Sir Austen Chamberlain, which were continued in the winter of 1927-28 with Lord Lloyd in Cairo. In February 1928 a draft treaty was ready and Sarwat Pasha asked Nahas Pasha whether the proposals would have the support of the Wafd. Nahas Pasha refused any form of settlement conceding Great Britain the right to maintain a garrison in Egypt, so the treaty proposals were automatically killed. Sarwat Pasha resigned and Nahas Pasha succeeded him on March 15, 1928. In the following June King Fuad summarily dismissed Nahas Pasha from the Premiership. Mohamed Mahmoud Pasha took office, suspended the constitution and ruled practically as a dictator

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until late in 1929. In that year he visited London, had conversations with the Secretary of State for Foreign Affairs, Mr. Arthur Henderson, and returned to Egypt with proposals for a treaty. The British Government had insisted that the proposals should be submitted to the Egyptian Parliament. When Mahmoud Pasha had taken office he had said that Egypt needed at least three years' rest from the political turmoil that seemed inseparable from parliamentary government under the 1923 constitution. Since barely half that time had expired, and he was far from confident of success in an appeal to the electorate, he resigned. An interim Government was formed under Adly Yeghen Pasha, elections were held, the Wafd secured a majority of 175 in the Chamber of Deputies, and Mustapha Nahas Pasha formed his second Ministry.

The declared policy of the new Government was to conclude a treaty with Great Britain and after that to reform the country's administration in accordance with Wafdist policy. This was and is to increase the power of the legislature at the expense of the royal prerogative and to imbue the civil service with Wafdist ideas. It would be an exaggeration to say that the Wafd have yet gone as far as the fascists in Italy or the nazis in Germany in believing that a civil servant cannot properly perform his duties unless he is an enthusiastic believer in the aims and policies of the dominant political party. But they have travelled far along that road, and whenever they have held office they have wasted no time in filling key positions in the administration with devoted followers. This process was being applied in 1930, when Nahas Pasha left Egypt at the head of a delegation to negotiate with the British Government.

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AFTER lengthy discussions with Mr. Henderson, a draft treaty was on the point of being signed when—for reasons never satisfactorily explained, and differently

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understood in Egypt and in Great Britain—negotiations were suddenly broken off and the draft treaty shelved. As the present political movement in Egypt is based largely on a demand for immediate signature of the 1930 draft treaty, its principal provisions may be summarised. They were :

1. Termination of British military occupation of Egypt.
2. Egypt to join the League of Nations.
3. The Egyptian Government to assume entire responsibility for lives and property of foreigners in Egypt.
4. An alliance to be concluded between the two Governments.
5. Mutual assistance should either country be involved in war.
6. Differences regarding the execution of the treaty, which could not be settled by direct negotiation, to be dealt with in accordance with the Covenant of the League of Nations.
7. Great Britain to persuade Powers possessing capitulatory rights in Egypt to agree to the transference to the Mixed Tribunals of the jurisdiction of Consular Courts, and to the application of Egyptian law to foreigners.
8. British forces up to a total of 11,000 to be stationed in the neighbourhood of Ismailia on the Suez Canal. This clause to be reconsidered at the end of twenty years.

Back in Egypt without a treaty, but, as Nahas Pasha claimed, "having gained the friendship of the British," the Wafdist Prime Minister set about achieving his party's aims in domestic politics, notably bringing the administration into what he considered a proper relation with the Wafd and its policy. This soon led to friction with the palace, and in June 1930 Nahas Pasha decided on a trial of strength. He demanded that King Fuad should approve a law providing for the trial of Ministers accused of acting unconstitutionally. When the King refused, Nahas Pasha resigned. There is good reason for thinking that Nahas Pasha believed that his resignation would not be accepted; he thought the tendering of it would be sufficient to secure acceptance of his demands. If this was so, he had a surprise. King Fuad accepted the resignation and invited Ismail Sidky Pasha to form a Government.

Sidky Pasha had long been known as one of Egypt's

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ablest politicians and administrators, but his career had left doubts about his fundamental political beliefs. These doubts he quickly resolved. The 1923 constitution was abolished and in its place a constitution considerably increasing the royal prerogative was promulgated by decree. The indirect system of election to Parliament, embodied in the original electoral law but since abolished in favour of direct voting, was re-introduced, and a general election, boycotted by the Wafd, returned a Chamber of Deputies almost unanimous in support of the Government. Mahmoud Pasha had chastised the Wafd with whips; Sidky Pasha lashed them with scorpions. Until his health suddenly broke down, in January 1933, he held Egypt in a grip of iron. Whenever and wherever his opponents raised their heads he struck out mercilessly. But the failure of his health forced him to Europe. While he was away intrigue was busy. When he returned, there was nothing for him to do but resign. On September 21, 1933, he left office and was succeeded by his Minister of Foreign Affairs, Abdel Fattah Yehia Pasha.

This dilettante Prime Minister had never taken serious interest in politics. He readily surrendered control to a palace favourite who aspired to the succession vacant since Hassan Nashaat Pasha had been exiled to Madrid in 1925. Zaky el Ibrashi Pasha, administrator of King Fuad's private estates, had few qualifications for political leadership, but he had the King's confidence. For fourteen months he was the real ruler of Egypt, his wish being decisive in everything, down to minor administrative details. Inevitably, his eventual fate was the same as that of Nashaat Pasha. In April 1935, the High Commissioner, Sir Miles Lampson, advised King Fuad that it would be well if Ibrashi Pasha could be employed in another sphere. He was sent as Egyptian Minister to Brussels. Meanwhile, Abdel Fattah Yehia Pasha's Cabinet had resigned, in November 1934, and had been succeeded by a Ministry led by Mohamed Tewfik Nessim Pasha.

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III. REACTIONS TO THE ABYSSINIA CRISIS

NESSIM PASHA is one of the mystery men of Egyptian politics. He has been Prime Minister twice and Chief of the Royal Cabinet (that is to say, the King's political adviser), but nobody knows what are his political convictions, beyond the fact that he is a devout Moslem, an opponent of sudden or violent change of any sort, and a very loyal servant of his King. He disliked the 1923 constitution because he thought it too advanced; he disapproved the 1930 constitution because he considered its promulgation illegal, and he is believed to have hoped that he might introduce a constitution better fitted than either of its predecessors to his country's needs. If this was his aim, it was not realised. From the first day of his taking office he decided that he must work in harmony with the party commanding the support of the large majority of voters—the Wafd. The Wafd had long before decided that restoration of the 1923 constitution was to be their first aim. They were prepared to give Nessim Pasha time to achieve this. For seven months the Prime Minister succeeded in maintaining friendly relations with the King, the Residency and the Wafd—no slight accomplishment.

Then, in July of last year, Egyptian opinion suddenly awoke to the possible consequences of the Italo-Ethiopian dispute. Egyptians appreciated the implications of Italian preparations long before public opinion in Great Britain became perturbed. Early in July, Egyptian newspapers were declaring: "Italy means to fight Great Britain for Mediterranean supremacy. Egypt will become a scene of hostilities. We can either try to stand aside from the conflict, and at its end make the best bargain possible with the victors, or we can declare our sympathies now, and, in return for giving every possible assistance to England, secure from her a promise that our independence shall be complete, as soon as the present crisis is past, instead of qualified by substantial reservations, as it has been since 1922."

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There was never any suggestion that any Egyptian political party should angle for Italian sympathy, in spite of extensive Italian propaganda in Egypt. Egyptian opinion is solidly against Italian expansionist aims, both because of Moslem solidarity with the Arabs of Italy's North African colonies and because practically every Egyptian is convinced that Italy aims at making Egypt an Italian colony. Egyptian sympathies were wholly with Great Britain in her attitude towards the Italo-Ethiopian conflict. At the same time Egypt was determined to use that dispute and Great Britain's evident need of Egyptian co-operation in naval and military precautions to secure from the British Government recognition of Egypt's right to complete independence. For years past the Wafd's leaders have made no secret of their aims. "We are powerless," they said, "to force Great Britain to accept our claims until some other more powerful factor than our agitation brings influence to bear on the British Government. But once let Great Britain become involved in a European situation that will make security for British communications in Egypt a paramount consideration, and we will use that situation to exact compliance with our demands."

The policy of the Wafd in the present crisis has been consistent with that conception. In the late summer and early autumn, Nessim Pasha was being urged, not only by the Wafd but by all sections of Egyptian political opinion, to obtain from the British Government, in return for the unstinted assistance Egypt was giving to British defensive measures, an assurance that when the crisis caused by the Italo-Ethiopian conflict was ended Egyptian claims to real independence would be conceded. At that time (up to the end of September) an assurance from the British Government that at the earliest possible moment negotiations for an Anglo-Egyptian treaty would be begun might have satisfied Egyptian public opinion. But the only assurances Nessim Pasha was able to obtain were regarded

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as inadequate and evasive, and Egyptian aims soon changed to securing immediate acceptance of specific demands. Foremost among these was restoration of the 1923 constitution, which the Wafd determined to make a test of British intentions towards Egypt.

So when Sir Samuel Hoare, on November 9, stated the British Government's view that the 1923 constitution was not suited to Egypt's needs, Egyptian students—"the first-line soldiers of the Wafd," as Zaghloul Pasha once called them—began violent demonstrations, rapidly leading to sanguinary clashes with the police, which have continued off and on ever since. The Foreign Secretary's remarks were not intended, it subsequently appeared, as a veto by the British Government on restoration of the 1923 constitution, but it was precisely as a veto that they were understood by Egyptian opinion.

Since Sir Samuel Hoare's speech, Anglo-Egyptian relations have been marked by a series of efforts from the British side to convince Egyptian opinion that the British Government was ready to negotiate a settlement of the matters left reserved by the 1922 declaration. But the successive steps taken by the British Government in reaching its latest definition of its attitude have been preceded by rioting and violence, so that, in Egyptian eyes, the present position has been achieved by student lawlessness. The students have taken charge in Cairo in recent weeks. Egged on by Wafdist spokesmen in November to protest violently against Sir Samuel Hoare's speech, the students refused to stop rioting when the Wafd considered that violence had served its purpose. By then quite out of hand, the students turned on those who had incited them and forced Nahas Pasha, much against his will, to join a United Front with other parties in demanding from the British Government immediate signature of the 1930 draft treaty.

At the end of January King Fuad, who had been an inactive spectator of the turmoil of the preceding few months, took a hand in shaping the situation. He told

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Nessim Pasha, on January 22, that the time had come for him to make way for a national Government, which could negotiate a treaty with Great Britain. Next day, King Fuad summoned the members of the United Front to Koubbeh Palace and with an eloquence which impressed his audience besought them to form a coalition Administration. Nahas Pasha declined the invitation. Claiming to be leader of the large majority of the electorate, he insisted that he should be invited to form what kind of Ministry he thought best. The Wafd had had bitter experience of a coalition in 1928 and would not risk a second experience of the same kind.

After an anxious interlude, a compromise was arranged. On January 30 a neutral "business" Cabinet was formed under the Prime Ministership of Ali Pasha Maher, the Chief of the Royal Cabinet, who also became Minister for the Interior and for Foreign Affairs. Part of the compromise was that the delegation to negotiate a new treaty with the British Government would be headed by Nahas Pasha and consist of six Wafd members and five representatives of the non-Wafdist parties.* There is to be a general election by May 2, and meanwhile a political truce has been sworn. By the time THE ROUND TABLE appears, the negotiations with Sir Miles Lampson, the High Commissioner in Egypt, will probably already have begun. The British Government has insisted on a satisfactory settlement of the reserved points as a preliminary to the discussion of the terms of a treaty. The Wafd, on the other hand, demand the immediate signature of the 1930 draft. There is always the danger that the students, masters of the internal situation, will force the Wafd to add new and impossible demands to their programme. And the Wafd believe that Great Britain is cornered: faced by the threat of war in the Mediterranean, the British Government, they believe, will concede almost anything to avoid further trouble in Egypt.

Egypt,

February 1936.

* A seventh Wafdist and a sixth non-Wafdist were added later.

THE MARCH OF SANCTIONS

I. THE PARIS PEACE PLAN

SANCTIONS have now been in force for over three months. If their outward results have not yet been striking, they have undoubtedly had a grave effect on the underlying economic and financial situation of Italy, on which the future of her adventure ultimately depends. Meanwhile, the war has gone on, with its bloody tale of casualties and atrocities; and amid a welter of conflicting news it is apparent that the Italian forces have been unable to achieve the resounding victories they must have hoped for, and that the Abyssinians have displayed a remarkable power of resistance and counter-attack, against highly mechanised forces in difficult country far from their sources of supply. It seems fairly certain that no decisive military results will be reached in the first season of the campaign, and that the "big rains" will be a serious testing time, both for Italian morale and for the ability of Hailé Selassié and his generals to keep the Abyssinian armies together. Forecasts are dangerous, but surely this will be the period when the screw of sanctions will be most seriously felt in Italy; for no new victories or advances can then be acclaimed to rally the enthusiasm of the Italian people, and to stir them to the daily sacrifices that economic sanctions compel them to make.

Nevertheless, it was natural that many people should have agitated for an intensification of sanctions, with the aim of bringing the war rapidly to an end, and in particular for the extension of the embargo on sales to Italy of oil and other raw materials necessary for the continuance of Italian industry and the conduct of mechanised warfare. On November 6, as we recorded in the last issue of *THE*

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ROUND TABLE,* the Sanctions Committee of Eighteen approved in principle the extension of the embargo to petroleum and its derivatives, iron and steel, coal and coke, "as soon as the conditions necessary to render this extension effective had been realised". As the time for a practical decision on this issue came nearer and nearer, the possibility of violent retaliation by Italy loomed larger and larger in the minds of responsible statesmen. When the earlier sanctions had been imposed, the defensive measures taken by Great Britain in the Mediterranean had forestalled any armed retort that Mussolini may have contemplated; but with the progress of his armies checked in the Abyssinian highlands, with sanctions becoming more and more burdensome, and with the possibility of economic collapse ever more urgent, the Duce, it was felt, might prefer to go down at the hands of the great Powers, rather than submit to the resistance of the Abyssinians and the slow strangulation of the measures adopted at Geneva. Information was not lacking that the decision to apply the oil sanction might be regarded as a signal for a "mad dog act".

Whether these apprehensions were well founded or not, they could scarcely be neglected by responsible statesmen, and they were undoubtedly at the back of the minds of M. Laval and Sir Samuel Hoare when they met in Paris on December 7 and December 8 and discussed the possibility of putting forward conciliatory proposals. Sir Samuel Hoare, a sick and tired man, was on his way to Switzerland for a holiday—a fact that proved in every way unfortunate. For when the terms of the plan that he and M. Laval had agreed should be placed before the combatants were telephoned back to London for Cabinet approval, the Prime Minister and the Government were in a grave difficulty. The understanding was a *fait accompli*, and its repudiation meant rejecting the policy of the Government's own Foreign Secretary and injuring, perhaps

* See THE ROUND TABLE, No. 101, December 1935, p. 6.

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irretrievably, a valuable collaboration that had been carefully nursed with the French Government. Mr. Baldwin took his personal decision, in his own words, to "support the colleague who was not present to give his reasons or to be examined." On the Monday morning, before the Cabinet as a whole had been asked to consider the proposals, the gist of their terms leaked out in Paris. Members of Parliament and the general public at once became uneasy, and the members of the Cabinet themselves cannot have relished the decision that circumstances forced upon them that day, namely, to submit the proposals to the Council of the League as a constructive, but far from unchangeable, suggestion for the settlement of the dispute.

Their doubts grew, and both the Prime Minister and Mr. Eden, then Minister for League of Nations Affairs, were plainly ill at ease when they defended themselves in the House of Commons on December 10. The damage, in fact, had already been done. Perhaps the gravest step taken or authorised by the British Government was the sending of strongly worded instructions to the Ambassador in Rome and the Minister in Addis Ababa, explaining the proposals and urging them to secure the agreement in principle of the Italian and Abyssinian Governments. Sir Sidney Barton was ordered to use his "utmost influence to induce the Emperor to give careful and favourable consideration to these proposals and on no account lightly to reject them". The proposals included the cession to Italy of eastern Tigré, a rectification of the frontiers of Eritrea and Italian Somaliland which would have substantially increased the area of those colonies, and the formation in southern Ethiopia of a zone of economic expansion and settlement reserved to Italy. As some compensation for these sacrifices, Abyssinia would receive an outlet to the sea with full sovereign rights, preferably by the cession of the port of Assab in Italian country and of a strip of territory giving access to this port along the frontier of French Somaliland; if Italy did not agree

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to this, the United Kingdom and French Governments were prepared to facilitate Abyssinia's access to the sea through the port of Zeila.*

The reaction of British public opinion against these proposals was instant and overwhelming. It is difficult, and perhaps fruitless, to analyse the motives that gave rise to this powerful public reaction, which was reflected both in Parliament and in the minds of Cabinet Ministers themselves. People felt that Italy was being rewarded for her aggression; that portions of Abyssinia were being handed to her which she had not even conquered yet by force of arms; that the League was being frustrated and the terms of the Covenant violated, since the proposals could hardly be twisted into an appearance of conformity with the guarantee of territorial integrity under Article 10. When confronted with the argument, which was the chief shield and buckler of the defenders of the plan, that to intensify sanctions before making some attempt to find a solution agreeable to the parties was to risk armed retaliation by Italy, British opinion retorted that in that event we were trying to buy off an attack on the British Empire by giving away a slice of Abyssinia. There was a strong feeling that the mandate for a League policy given to the Government at the general election had been violated, and that British prestige as well as the authority of the League had received a grave blow from within.

By the time the matter came up again in Parliament on December 19, the plan was already dead and the Foreign Secretary's position had become untenable. As early as December 12, in the Committee of Eighteen at Geneva, Mr. Eden had described the terms of the Paris plan as only suggestions for discussion by the League, adding that if the League did not agree the British Government would make no complaint.

The policy of His Majesty's Government (he said) remains to-day what it has been since the dispute began. Any final

* Cmd. 5044.

THE MARCH OF SANCTIONS

settlement must be acceptable to the League as well as to the two parties in conflict.

On December 19 the plan was formally buried by the League Council, which "did not consider that it was called upon to express an opinion" in regard to it at present.

When Sir Samuel Hoare rose to defend his action in the House of Commons, he had already resigned the Secretaryship of State. He stressed the probability of an attack by Italy if the oil embargo were successfully applied. He feared, he said, not that we should fail to retaliate with full success, but that an isolated attack of that kind, launched upon one Power without, it might be, the full support of other Powers, would almost inevitably lead to the dissolution of the League. After defending the terms themselves, Sir Samuel Hoare warned the House that, unless there were more active co-operation in pressure and in preparations by other States, collective security would vanish and the League dissolve, or, at best, a more unsatisfactory peace would have to be made. There was a strong feeling among certain Government supporters that the Prime Minister could not escape responsibility for the decisions that had been taken in that fateful weekend. Mr. Baldwin himself was contrite but obviously uneasy. However, erroneous tactics by the Opposition—combined, perhaps, with the want of any alternative candidate for the office who would be satisfactory to those who felt most deeply about this matter—ensured a rallying of the Government forces to the support of the Prime Minister, and of an amendment assuring the Government full support in pursuing a foreign policy based on the League of Nations.

That, so far as Great Britain was concerned, was the end of the Paris peace plan. The finely worded despatches of the Abyssinian emperor contrasted with the truculent bombast of Signor Mussolini in his Pontinia speech, and helped to reinforce the weight of British public opinion against

THE PARIS PEACE PLAN

the Italian cause. In refusing to accept the Paris terms in principle, moribund though they were, Mussolini made a prime diplomatic blunder.

The peace plan episode momentarily distracted public attention from the question of an oil embargo, and the political crisis in France (as a result of which M. Sarraut replaced M. Laval) also caused a certain delay at Geneva. On January 22, however, the Committee of Eighteen resolved to set up a committee of experts to examine the technical side of the problem, and on February 12 the committee published their report. Their main conclusions were as follows :

1. Having regard to the stocks already accumulated by Italy, or *en route*, the embargo would not become fully effective for three to three-and-a-half months.

2. If the embargo were applied by all League members it would be effective provided the United States limited its exports to Italy to their normal pre-1935 level; otherwise, the result would be only to render the purchase of petroleum more difficult and expensive for Italy.

3. The embargo would be strengthened if it were extended to cover industrial alcohol and benzol, which are possible substitutes for motor spirit.

4. An embargo on the transport of petrol to Italy would likewise require co-operation by non-League Powers in order to be fully effective; its most practicable form would be a ban, not only on the movement of tankers to Italy, but also on the sale of tankers to non-sanctionist States.

5. Suitable measures would have to be taken to prevent traffic by indirect routes, especially through free ports.

At the moment of writing, no decision had been taken on this report, either at Geneva or in London, but the prospects of obtaining from the United States the necessary co-operation were obviously much slighter than they had appeared to be when the oil embargo was first mooted; for American opinion had become suspicious of any move towards participation in sanctions under the shelter of neutrality protection, and its reluctance to co-operate with the League had undoubtedly been strengthened by the unhappy episode of the Paris plan.

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II. COLLECTIVE SECURITY IN PRACTICE

MEANWHILE, the attention of public opinion throughout the world had been forcibly drawn to the dangers of inadequate collective preparations for the possibility of an armed retort to sanctions. If the Paris plan did nothing else, it hastened the pursuit of an understanding on this vital question. On October 14, the French Government had been asked whether, in the event of an attack by Italy on Great Britain, France would be willing and able, should the need arise, to collaborate in resistance. The answer was in the affirmative.*

The French Government (ran the reply) fully considers article 16 as implying complete solidarity of each of the members of the League of Nations, in respect of that one of them who may have been attacked by the Covenant-breaking State, if this attack has been clearly brought about by the application of the provisions of the said article, the execution of which shall have been decided upon in common.

The British Government felt that certain points concerning the practical application of this principle required elucidation, and after further discussions obtained from France an acknowledgment that she interpreted her obligations under the League as implying "unlimited solidarity of action in the matter of military, air and naval assistance". This promise was based on the assurance, already given by the British Government, that they would not "take the initiative in any measures against Italy that would not be in conformity with the decisions taken, or to be taken, by the League of Nations in full agreement with France."

Following these conversations, the British Government made similar enquiries, early in December, of the Governments of Greece, Turkey and Yugoslavia.

The replies received from these three Governments, after consultation with one another, left no doubt of their readiness faithfully to apply all the obligations devolving upon them under

* Cmd. 5072, p. 3.

COLLECTIVE SECURITY IN PRACTICE

the Covenant, in consequence of measures taken in application of article 16.*

Reciprocal assurances were naturally given by the British Government. The undertaking by Yugoslavia was given after consultation, and in full agreement, with the other members of the Little Entente.

The British Government thought it necessary, when informing the League of Nations of what had taken place, to refer to the suggestion that the conversations between the military, naval and air staffs of France and Great Britain had been concerned, not only with the position in the Mediterranean arising out of the application of sanctions, but also with the north-eastern frontier of France. They roundly denied the truth of any such suggestions. Nevertheless, it is obvious that the reciprocal undertakings given on the initiative of Great Britain must inevitably become a precedent for any similar case in the future. The implications of this for Great Britain and the British Commonwealth have not yet been properly thought out. We have only to consider the hypothetical possibility of an act of aggression by Germany in eastern Europe, followed by a decision to apply economic sanctions against her, to perceive how close we have returned to the old policy of an *entente* with France. In that case, indeed, our obligations might be even more clearly defined under the Locarno pact; but public opinion is being brought to see much more clearly than ever before how intimately we are involved in any European quarrel, even to the extent of commitment to a general war, by the sanctions clauses of the Covenant. The truth that has been often reiterated in the pages of THE ROUND TABLE is being brought home to us, that for a great Power there can be no such thing as purely economic and financial sanctions that do not involve a risk of war. This is not to say that the application of such sanctions must always mean war, but rather

* Cmd. 5072, p. 4.

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that they will only be successful, and at the same time unprovocative of general war, if there is behind them sufficient collective force in reserve to deter the aggressor from armed retaliation, and to turn his threats into empty bluff.

III. THE COMMONWEALTH AND THE LEAGUE

HERE is a problem that intimately concerns every member of the British Commonwealth of Nations. They have all signed the Covenant of the League. They have all joined of their own free will in the application of economic and financial sanctions in the present dispute. It is scarcely possible to believe that in the event of an aggravation of the conflict we could rely more confidently on practical support from Greece or Turkey or Yugoslavia than from those nations to which we are bound by the ties of the Commonwealth as well as those of the League. They, too, must face this problem of the implications of their membership of the League and their support for the policy of sanctions. They have attained full independence in their external as well as their internal affairs, and with independence goes responsibility. The problem of the separate responsibility of the Dominions in world affairs, under a system of collective security, is perhaps the most urgent and vital problem that faces the British Commonwealth to-day.

In this number of *THE ROUND TABLE*, each of the overseas Dominions sends some account of the attitude of its Government and public opinion towards the Italo-Abyssinian affair, its obligations under the Covenant, and its membership of the League.* This is no place to paraphrase or compress what writers in the Dominions themselves tell us at length and in their own words. One thing is clear from all their reports. There has been a great stirring of opinion in all the Dominions, a new

* See below, pp. 335, 376, 393, 408, 438.

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recognition of their own responsibilities, a new realism in their outlook on international affairs. This in itself is all to the good. But it is essential that before minds are finally made up the whole problem should be discussed together by the Governments of the Commonwealth. There is no more vital question for the future of world peace, since the present dispute has shown us once again that in great international issues the influence of the British Commonwealth of Nations is always tremendous, and may well be decisive.

JAPAN MOVES ON

By a Correspondent in China

IN spite of grave preoccupations elsewhere, the attention of the world during the past six months has been claimed insistently by the Far Eastern scene. There has been a series of alarms, excursions and strange interludes, marking stages in a process, still dynamic and incomplete, of adjustment in the changing relations between China and Japan. With this process Great Britain is intimately concerned. She is faced with the problem of maintaining a great investment interest and an important trading position through a period of rapid and far-reaching political change. She is faced to-day no longer with a specific China problem, but with a Sino-Japanese problem: her own relations with China are inextricably involved in the relations between China and Japan.

Two other great Powers enter the picture—but their bearing is hesitant and obscure. The United States, too, has an investment interest in China, though small compared with the British; but to-day her mood seems to demand a negative policy in the Pacific. Yet at some future time she is capable of becoming a factor of decisive importance; to-day she stands in the background, imponderable and indeterminate in her relations with Japan. Soviet Russia, likewise urged at present by no positive impulse, lies in Outer Mongolia in direct and changing contact with China and Japan. A land Power with an undefined frontier with both countries, she is a factor of immediate if negative importance in determining certain aspects of Japan's policy in China. Nevertheless, for our present purposes the

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problem must be considered in terms of a tripartite international relationship—Great Britain, Japan and China.

An article in the September issue of *THE ROUND TABLE* * showed how a new world has come into existence in the Pacific, how Japan has established a new position for herself in China, and how—by virtue of this position—she feels strong enough to prevent the West from shaping its relations with China independently of its relations with Japan.

I. THE BASIS OF JAPANESE POLICY

JAPAN'S China policy is no half-and-half affair. In its essentials it has become firmly entrenched in the national consciousness; its roots are buried deep in the disturbed psychology of a consciously expansionist State.

Arguments are often advanced suggesting a cleavage between the military and civilian elements. Differences exist about method and time; but not about fundamental issues, as far as China is concerned. The industrial and commercial interests centred at Osaka have for many years experienced grave difficulties in trading with central China; they have little faith in any imminent resurgence of China as a valuable market for their goods; rather they regard her as a dangerous industrial competitor of the future. For this reason there is little opposition in Osaka to a forward policy in China designed to strengthen Japanese economic control over China's resources, even perhaps at the temporary expense of Japanese trade. The army is the agent for initiating and carrying out successive steps in the development of Japan's China policy, and in its efforts to evolve its own economic theory the military mind has certainly been criticised. But on the whole there seems to be much less division of opinion to-day than there was during the early anxious days of the Manchurian affair.

Such dissension as exists is better explained in terms of rivalry between the specialised and highly individualist

* See *THE ROUND TABLE*, No. 100, September 1935, p. 684.

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military agents who are so active in the promotion of policy. In Japan there is a tendency both in the Foreign Office and in the army to leave the conduct of Chinese affairs to specialists in both services. The army experts are a forceful clique: they have their own political dream of Japanese domination in China: they toil and scheme incessantly, laying plans both political and economic: they are deeply involved in the internal political structure of China. This specialised, semi-political, powerful executive agent sometimes out-distances the less specialised officials in Tokyo. There is jealousy between the China experts in the army and the Foreign Office, and—as was shown in the recent episode in North China—there is bitter and sometimes stultifying jealousy among the soldier-diplomats themselves. But, in spite of these differences over the application of policy, the main features of the policy itself are accepted by the nation as vital to Japan's destiny as an expanding Power.

Japan is determined to guide the future development of eastern Asia. This development is to take the form of close economic and political co-operation between Japan, China and Manchukuo. China and Manchukuo are to become increasingly important to Japan as suppliers of raw materials for Japanese industry. It is because she fears China as a potential competitor that Japan mistrusts uncontrolled industrial development in China; this fear is behind her determination henceforth to play the major part in guiding China's progress. It has an important bearing upon her attitude towards the relations between China and the West—and towards the recurring rumours of loans and constructive assistance to the Chinese in developing their country. Japan is determined to destroy all resistance to the growth of her influence in China. She sees in any effort made by the Chinese to develop their economy independently, or in co-operation with some other nation, such as Great Britain, an attempt to hinder the fulfilment of Japan's "manifest destiny" on the Asiatic mainland.

DEVELOPMENTS IN NORTH CHINA

Against this background of Japanese policy should be viewed the whole series of recent events. It illuminates the developments in North China and renders comprehensible the almost universal hostility directed against Sir Frederick Leith-Ross and the part that he is alleged to have played in aiding and abetting the Chinese in their adoption of a paper currency.

II. DEVELOPMENTS IN NORTH CHINA

IN the latter part of last year, North China was the scene of a political upheaval symptomatic of the forces at work in shaping the changing relations between China and Japan.* To the outside observer there was a certain obscurity in the actual march and countermarch of events; but their main trend followed the general direction of Japanese policy. The sequence was confusing chiefly for two reasons—the complexity of the personal relations out of which Chinese politics are woven, and the subterranean and highly specialised methods employed by Major-General Doihara, the head of the Special Mission of the Japanese Kwantung army, an expert in Chinese affairs, and the prime mover in the recent happenings in North China. A situation initially complicated was further confused by a difference of opinion among the experts themselves; ambitious and politically-minded Japanese generals confronted each other with rival candidates for the administration of North China. And, to the surprise of all, including themselves, the Chinese, taking advantage of a weakness in the Japanese position, succeeded, if not in gaining a diplomatic victory, at least in surrendering much less than at first seemed inevitable.

The original plan for five so-called “autonomous provinces” was to have been a logical step in the fulfilment of Japan’s policy for strengthening her political and

* See map, below, p. 305.

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economic domination of China—an extension, south of the Great Wall, of a system of control more attenuated and less direct than the system of direct control established in Manchukuo. It was foreshadowed in June last year, when Nanking troops were forced to withdraw from North China. And it was closely associated with the strategic schemes of the Japanese army for extending military posts through Chahar and into Suiyuan, in order to maintain frontier contact with Soviet Russia along the borders of Outer Mongolia. General Doihara based his plans upon a combination of intrigue and adroit manœuvre, among Chinese war lords in power and political cliques out of power, and upon a liberal use of the threat of force, backed by the presence of the Kwantung army on the other side of the Great Wall.

Yet, in spite of well-laid plans, the five-province programme failed. Its failure was due essentially to the fact that Japan was not prepared to use military force within the Great Wall. It is still an accepted axiom in Tokyo that Japanese troops on a large scale are not to be employed in China proper: Japan does not feel strong enough in men or resources to establish a second Manchukuo in the vast territory of North China.

The Chinese, nearly too late, discovered this weakness in Japan's position, and themselves were able to play the game of intrigue and diplomacy in which they traditionally excel. The military governors of Shantung and Shansi provinces, both of which were to be included in Japan's "autonomous" imperium, refused to dance to General Doihara's tune, preferring for the present to remain in a state of semi-independent suspension between the central government at Nanking and the Japanese-influenced provinces contiguous with the Great Wall. The Chinese were greatly assisted in their tactics of evasion by a difference of opinion among the Japanese agents themselves—the failure of General Doihara and his technical superior in command of Japanese troops in North China to agree

DEVELOPMENTS IN NORTH CHINA

upon a common list of names for the Chinese administration of the "autonomous" area.

On the ruins of the five-province scheme the Japanese succeeded in erecting a two-province arrangement for Hopei and Chahar. Within this two-province administration is established an *imperium in imperio*—a small "independent" régime known as the East Hopei Autonomous Council, which came into existence as an initial move in the five-province alignment. Yin Ju-keng, a Japanese puppet, is in nominal control of the "East Hopei Autonomous Anti-Communist Government".

Sung Cheh-yuan—a Chinese general of the old school—has been established for the time being at Peiping as head of the new Hopei-Chahar Political Council. The status of the administration is still indefinite. General Sung Cheh-yuan remains nominally loyal to Nanking; there has been no official pronouncement of "autonomy"; national customs and postal revenues are to be remitted to Nanking for the time being, but railway and salt administration funds are to be kept in North China. The East Hopei administration of Yin Ju-keng, which is under direct Japanese supervision, acts as an "independent" authority, and it proposes to appropriate all revenue collected in the districts under its control. Its area is elastic, changing continuously. Japan will be able to use the Yin Ju-keng régime as an effective instrument for bending Peiping to her wishes.

Thus North China, for the moment, has regained a semblance of tranquillity; but the situation is plainly unstable, with relations with Nanking undefined and the measure and form of Japanese control undecided. At present the Chinese have resisted the appointment of Japanese advisers within the Peiping administration. Japan's military agents will now seek to attain their objectives by means of such pressure and influence as they can exert upon the new Council. They can claim success in the outcome of recent events in that they have eliminated

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certain "anti-Japanese" elements from North China and established an administration disposed to deal favourably with Japanese demands. If this administration fails to yield results, we shall probably witness in due course another political upheaval in North China and a new quorum of Chinese officials established in Peiping.

The immediate issues to be forced upon the Peiping régime will be local in character, reflecting demands of the Japanese military authorities arising from the ill-defined frontier relations between Manchukuo and North China. These demands are centred upon questions of communications—railways and air-lines—and of local commercial and industrial projects involving some measure of control of Chinese investment. Eventually there may be an attempt to bring about a customs understanding between North China and Manchukuo, combining both areas as a single economic entity.

But as a step in the development of Japan's general policy the two-province arrangement is linked with the ultimate conceptions that were also behind the plan for the five provinces. In this respect the five-province scheme is not dead. In Hopei and Chahar—as eventually in other parts of China—Japan desires to shape economic developments to her own ends, to supervise public expenditure, to influence investment, and to check economic or political activity that appears to be inimical to Japanese aspirations. It is not hard to see how British investment and trading enterprise may be affected in North China, and later elsewhere, as Japan's policy becomes increasingly effective.

III. NANKING AND JAPAN

IT is sometimes asserted that Japanese actions in North China cannot be reconciled with the attempts of the Japanese Ambassador in Nanking to improve the relations between the two governments. In reality there is no such contradiction.

NANKING AND JAPAN

So far, the Japanese have been successful in proving their contention that they can better their relations with China by the use or threat of force. They have broken the boycott by force; they have made it plain that all activities against Japan will be met by force; by using the threat of force they are insisting upon Nanking's abandonment of the traditional policy of balancing one foreign Power against another. China is to be compelled by force to look to Japan for guidance; and those political elements described as Western and American-trained are to be plainly shown that they must cease to rely upon Europe and America in resisting Japan. Japan is pursuing a policy of conciliation through compulsion. She has made it plain that every little incident—even the breaking of a Japanese shop-window in Shanghai—will be followed by swift, possibly brutal, retaliatory measures.

The success of these tactics has been remarkable. In spite of the revival for one week in December of organised student opposition throughout the country, the events in North China have run their course without weakening the capacity of the Japanese Ambassador to continue the policy of "conciliation" in Nanking. Chiang Kai-shek has reorganised his Government, emerging himself for the first time as titular head of the civil administration; in replacing certain officials he has included a greater number of men educated in Japan with whom the Japanese will be able more easily to negotiate. The Western and American-educated group has been weakened.

The violence of the recent student agitation is a danger signal showing that the forces of hatred are widespread and deep. There may be a point beyond which, in yielding to Japanese demands, the Nanking Government cannot move without imperilling its own position. Chiang Kai-shek, in assuming open and direct responsibility for the conduct of foreign policy, has given a hostage to fortune. His principal danger is held to be that Japan may press him too hard: so hard that he may eventually find it

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impossible to maintain his administration in face of the resentment of an increasingly bitter public opinion.

Armed resistance to Japan—insistently demanded by all sections of Chinese opinion not directly responsible for the execution of policy—would result in the disappearance of the Nanking Government and the destruction of all those elements of national unity and progress that Chiang Kai-shek is endeavouring to strengthen and preserve. But Chiang Kai-shek's position is based upon military power. To-day he is stronger than he has ever been; and those who believe that Japanese pressure may eventually wreck him on the rising flood of Chinese public opinion tend to forget the strength of the foundations on which his power rests.

Nevertheless, it is for Japan to show some reasonable measure of restraint. And some fear that, since Japan appears to regard British and other foreign investments as an obstacle to her policy, she may be prepared in certain circumstances to tolerate a period of political disturbance in the Yangtze valley, and to wait for a time in order to re-establish her own investments—now so much smaller than Great Britain's—securely upon what relics may then remain of the investments of the Western Powers. This view, however, seems to be unduly pessimistic. There is no evidence that Japan seeks to destroy the Nanking Government.

All present indications point to a resumption of negotiations between Nanking and Japan for "improving relations between the two countries", and to a gradual yielding of concessions, political and economic, in response to Japanese diplomatic pressure, supported by the threat of armed force. These concessions may affect British trade and investment in a variety of ways—and not to their advantage. And eventually, perhaps, we shall see a Japanese adviser established in each of the spending departments of the Nanking Government.

CHINA'S CURRENCY REFORM

IV. CHINA'S CURRENCY REFORM

INTO the middle of this shifting, sensitive, political situation plunged Sir Frederick Leith-Ross, the Chief Economic Adviser to the United Kingdom Government. He was sent to China to investigate the economic situation with special reference to the currency problem, and to make recommendations to his Government as to the best method of maintaining British investment and trade. But it was impossible for one in his position to visit the Far East at such a time without becoming a leading figure on the Far Eastern political stage. In Japan his advent was interpreted as a major political move by Great Britain to revive British prestige in China and to breathe a little fresh hope into the hearts of the Chinese, who were rapidly giving way before the pressure of Japanese policy.

At this stage in the development of her relations with China, Japan is not prepared seriously to discuss co-operative international plans for assisting the Chinese government. It is by no means certain whether Japan will be prepared at any time in the future to support a plan for extending international financial assistance to China—even though such a plan may be of immediate benefit to Japanese trade. Rather than join in strengthening the investment stake of the West, she may prefer gradually to develop her own policy in isolation, even at the cost of retarding China's economic progress. The proposals made by Sir Frederick Leith-Ross in Tokyo were received coldly; they were regarded as an attempt to check the advancement of Japanese policy in China.

Then followed the conversations with Chinese bankers in Shanghai, from which emanated on November 4 the Chinese Government's announcement of currency stabilisation and the nationalisation of silver. In Japan, civilians and militarists alike united in denouncing the perfidy of Sir Frederick Leith-Ross and in stigmatising the currency measures as "a crushing blow to the stability of the Far

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East". There was no attempt to criticise the currency measures on economic grounds; actually a similar plan had been advocated by Japanese economists for some months. The opposition was essentially political. Japanese militarists declared that Sir Frederick Leith-Ross was trying to prevent the completion of their plans in North China: in the same breath they advanced specious arguments accusing him of responsibility for the "autonomy" movement.

It was perhaps unfortunate that the Leith-Ross mission coincided with Japan's political enterprise in North China. The Japanese realised how unsettling to the Nanking mind would be the incursion of Sir Frederick Leith-Ross at that moment—giving to the Chinese a little moral support at a time when Japan was concentrating her efforts upon knocking away every moral prop from beneath them. In this sense the currency question cannot entirely be dissociated from the situation in North China. In the opposite sense, it was claimed that the northern provinces' unwillingness to surrender their silver stocks to the central government set a premium upon "autonomy." This argument is hard to swallow. The central government yielded to northern demands by establishing local reserves for provincial silver stocks; and the question who is to take the profit on sales of silver can be adjusted, as these questions always are, in a true spirit of Chinese compromise.

The anti-British outburst in Japan was intense and widespread. Commenting on the currency measures, the Japanese War Minister announced, more in sorrow than in anger:

that China should suddenly take such a course without consulting Japan can only be interpreted as a complete lack of interest on the part of China in improving her relations with Japan. The army will take no action at once, but, when the time comes to act, it will not hesitate.

At first it was believed in Japan that a British loan had been promised to support China's new currency. The very idea

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of a loan to China was assailed publicly as a disturbing influence in the Far East and a malicious onslaught upon Sino-Japanese relations.

To-day it seems that these tactics (even if they have failed to deter the West from contemplating a loan to China in the teeth of Japanese opposition) have at least made the Chinese feel a little hesitant about accepting money from outsiders, however eagerly proffered or however sorely needed. The Chinese now announce that there is no question of a foreign loan and that they are well able to maintain their currency without any such assistance. Meanwhile, Great Britain, largely by force of circumstance, is identified with a currency reorganisation which, in the opinion of many, may depend for its ultimate success upon a foreign loan to China.

Great Britain's problem in China remains part of the larger problem of her relations with Japan. It is not easy to see what Sir Frederick Leith-Ross can accomplish in China until this larger problem is faced, and unless the British Government is able to readjust its relations with Japan by means of influence—economic and financial—exercised in spheres beyond the confines of China.

V. THE SHANGHAI PROBLEM AND THE FUTURE

AT the same time as events were shaping themselves in the north, there developed an agitation among the Japanese community in Shanghai against the predominant British control of the International Settlement. This outburst, although not unconnected with Japan's growing sense of power *vis-à-vis* the West in China, was also a purely local reflection of a stage in the development of Shanghai. The problem of Shanghai has assumed a new form as a result of the rapid increase of the local Japanese population during the past ten years. The Japanese community living in the International Settlement, and in the "external roads" areas adjacent to the Settlement, is

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estimated to-day at about 30,000, compared with a British community of 8,000.

As a natural result of the historical development of Shanghai as a predominantly British enterprise, the administration of the Municipality has been built up on British lines and is largely staffed with British officials. The American community, which is much smaller than the British, has been content with a minority representation on the Municipal Council and with a very limited participation in the administrative machinery. It is against British control of the administration of Shanghai that Japanese agitation is directed. This pressure is likely to grow with the natural increase of the Japanese population and with the logical advance of Japanese policy in China. Japan's demands in Shanghai are for increased representation on the Council, greater participation in administrative posts, a reorganisation of public expenditure to conform rather with Japanese than with British standards, and a revision of the franchise on a more democratic basis. This last demand is significant; for, although the Japanese far outnumber the British, their voting power is to-day smaller.

The comparative figures of British and Japanese population are misleading in the sense that a vast majority of the Japanese residents are small shop-keepers and labourers, whereas the British community, representing considerable wealth, consists in a large measure of well-paid business executives and traders. Shanghai is essentially a capitalist structure: it was created in order to afford legal and administrative security to vested interests in investment and trade. Any change in the direction of democratising the administration of Shanghai would not only entirely alter the balance between the Japanese and British communities; it would sacrifice the whole purpose for which Shanghai in its present form exists—as a protective structure for foreign trade and investment. Moreover, the Chinese monied interests closely identified with the capitalistic organisation of Shanghai would shrink in horror from any

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suggestion for placing Shanghai's constitution upon a more liberal or democratic basis.

The municipal franchise is based upon a high property qualification. The British property-holding and investment in Shanghai are still far ahead of the Japanese. The best available figures, calculated after a careful survey in 1930, showed the following comparison at that time between British, Japanese and American investments :

British investments	£151,000,000
Japanese	„	.	.	.	44,000,000
American	„	.	.	.	26,000,000

These figures show how extremely important is the British stake in Shanghai, and how immense has been Great Britain's contribution in building up Shanghai to its present position as a great city. In spite of Japan's numerical predominance, the British community in Shanghai still contributes nearly twice as much as the Japanese towards the municipal taxation. For these reasons the British community feels that there is still a just basis for the predominance of British control in the municipal administration. The Japanese agitation is to be met by organising British voting power so as to muster full strength at the forthcoming election of Councillors. An attempt will then be made to meet the Japanese demands on *ad hoc* issues, within the framework of the present administrative structure, and to remove Japanese grievances over the distribution of municipal expenditure, to the fullest limit that equity and the just claims of all sections of the community will permit.

The Japanese agitation has given rise to a fresh consideration of the whole Shanghai problem. In some quarters the occasion has provoked a proposal for an international conference with a view to amending the constitutional and political status of the Settlement. The administration and international status of the Settlement rest uneasily upon the Land Regulations—a limited scheme

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of government originally designed for the administration of an area predominantly British. To-day this area contains nearly a million Chinese. Pressure directed against British control has in the past come from the Chinese. This pressure has at times been so insistent that a few years ago it seemed to be only a question of time before the Chinese demands would have to be met. Rendition of the Settlement to China was accepted by the British Government as inevitable in the long view.

To-day the promotion of Japanese claims and Japanese pressure have altered the position. In face of the Japanese problem the British community seems for the moment to have forgotten its former fear of Chinese encroachment; and the Chinese for the same reason hesitate to disturb the present *status quo*. In their present mood the Chinese would prefer the Settlement to remain British and American, if the only alternative is for it to become Japanese. Great Britain remains poised in anxious balance between Chinese aspirations and Japanese demands. It is generally recognised upon what a circumscribed and uncertain foundation the present administration rests and how easily it could be stultified in practice by Chinese refusal to recognise its *de facto* validity or by Japanese intransigence.

A proposal for joining with China in an attempt to regularise the status of Shanghai as an international and predominantly foreign administration was made in 1932 after the Japanese hostilities; for it was hoped that the display of Japanese armed force would induce the Chinese to concede a status to Shanghai that would give a new lease of security to foreign investments and trading interests. To-day a similar proposal is inspired by the same reasoning—and it is open to the same objections. Successive Chinese Governments have refused to accept the validity of the Land Regulations; foreign control of the International Settlement is viewed “through a glass darkly”; any amendment of the status of Shanghai except in the direction of rendition to China could be achieved only as

THE SHANGHAI PROBLEM

the result of pressure based upon force—under present conditions upon Japanese force, Japan being the only Power able and willing to employ coercion in her relations with China.

The risks inherent in such an attempt to procure a readjustment of the status of the Settlement are obvious, apart entirely from the questionable morality of any arrangement whereby British interests would take advantage of the temporary services of Japanese bayonets, and apart from its bearing upon the wider implications of our foreign policy. Even if, for a time, such action were to result in greater security and prosperity for British trade and investment, and were to stabilise the present uncertain status of urban areas outside the boundaries of the Settlement which have been built up by foreign enterprise, Japan and not Great Britain would thenceforth be the dominant Power in Shanghai. Japan would never lend the weight of her power without making sure that she emerged from the negotiations as the predominant partner in the Shanghai administration. And any such settlement imposed upon China by the threat or use of force could be maintained only by force—force exercised by Japan. In relation to Japan, Great Britain's position would be humiliating: in relation to China, her prestige would vanish into thin air.

It seems, then, that we have no alternative but to remain uneasily suspended between China and Japan, meeting in administrative matters the legitimate demands of the Japanese community and at the same time endeavouring to pave the way for the satisfaction of Chinese aspirations, in so far as they can be adapted to a reasonable measure of protection for British trade and British investment.

As an alternative solution for the Shanghai problem, it has been suggested that a wise process of administrative decentralisation might later be followed by an attempt to separate from the rest of the Settlement those areas where Japanese population is mainly concentrated. Apart from certain grave practical difficulties, such an arrangement

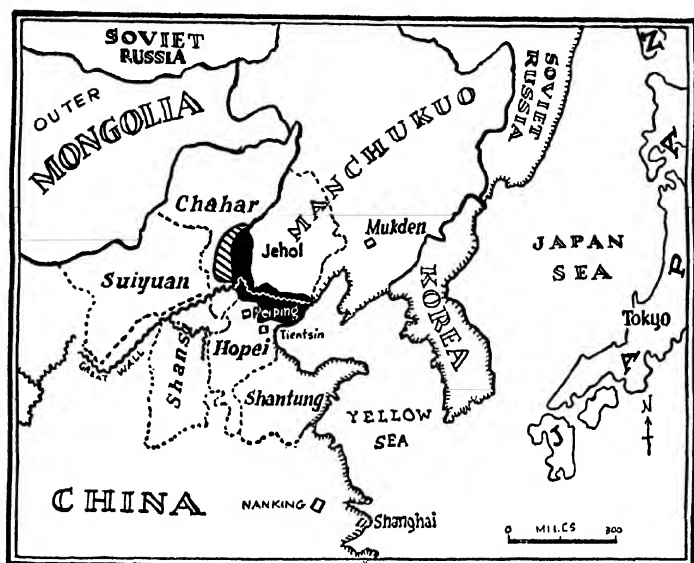
JAPAN MOVES ON

would surely be equivalent to a gesture of despair. With Japan entirely dissociated from the administration of the International Settlement, British interests would be faced sooner or later with a process of relentless attrition—with Japan acting in conjunction with the Chinese either as forceful master or as willing coadjutor.

It must be the ultimate purpose of British policy in China to bridge, not to widen, the gulf between Great Britain and Japan : to convince Japan that it is not in her best interests to direct her growing power in China against the British commercial stake. In spite of enormous difficulties it must be our aim as far as possible to integrate British and Japanese trading interests in China, rather than to add another stone to the wall that to-day dangerously keeps them apart. And in Shanghai we still have a platform upon which, at least in theory, some process of integration should be possible.

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NORTH CHINA AND MANCHUKUO



The above map shows the five provinces which were to be incorporated in the abortive northern autonomy scheme.

The black area is the Demilitarised Zone, which was forced upon China after the Japanese occupation of Jehol. The "demilitarisation" of the zone on the Manchukuo side of the Great Wall has no practical significance, since Japanese troops occupy the Great Wall passes. Indeed, Manchukuo and Japanese troops have pressed forward into Chahar, the area occupied being indicated by shading.

Outer Mongolia is under Russian influence. Japan's strategic aim is to establish a series of military posts westwards through Chahar into Suiyuan, in order to maintain contact with Russia along the frontier, to secure Manchukuo against attack from the west, and to insulate Inner Mongolia from Russian penetration.

The "autonomous" administration of Yin Ju-keng lies in the Hopei portion of the Demilitarised Zone, within the Great Wall.

COLONIAL RAW MATERIALS

IN two striking ways the Abyssinian conflict has brought the world economic problem to the front of public interest and international concern. On the one hand, the League sanctions have been, in effect, an intense economic war, and experience of them has thrown much light on the place of economic weapons and economic vulnerability in general strategy. On the other hand, economic pressures are among the inner causes of Italy's aggression, and economic requirements are among her avowed war objectives. Sir Samuel Hoare's speech of September 11 in the League Assembly acknowledged, with the authority of the world's greatest trading and investing country, that if war as an institution was to be uprooted an attack must be made on its underlying economic causes. As a contribution to this end he promised British co-operation in an international enquiry into the distribution of colonial raw materials. The wheel comes full circle: among the causes of war are the repressions of economic nationalism; and economic nationalism is intensified by the fear of war. The two problems, like the problems of security and disarmament, must be attacked simultancously; for it will be just as fruitless to try to moderate the economic causes of war if the fear complex remains to undo our work, as to try to construct a system of security while leaving untouched the inner economic causes of insecurity. The present crisis has shown us clearly the futility of penning international pressures in a prison of unalterable treaties and automatic sanctions.

I. COLONIAL RESOURCES AND NATIONAL DEFENCE

THE struggle for sources of raw materials and foodstuffs, like the struggle for national self-sufficiency, has often been inspired by a desire for greater security in time of war.

RESOURCES AND NATIONAL DEFENCE

Italy's wheat campaign and her quest for economic resources in Abyssinia are of a piece together. But if strategy is the purpose, strategy must also be the test, and there is no escaping the conclusion that colonial resources are useless as a war-time safeguard unless they are backed by secure command of the routes of supply. Without command of the seas, as Germany found in 1914-18, distant colonies are valueless as an economic tap-root in time of war. Germany's present decision not to challenge British command of the seas therefore implies that for the time being she has relinquished this purpose at least of her colonial ambitions. On the other hand, if a nation possesses command of the seas, the question whether or not it also holds the sovereignty of colonial territories becomes of secondary importance. So long as the British fleet remains capable of keeping open the trade routes between the mother country and the Dominions and colonies under the British flag, it will likewise be capable of safeguarding supplies, not subject to embargoes, from such countries as the United States, Argentina, or the Netherlands East Indies. To take a parallel instance on land—Germany's access, in the event of war, to the oil wells and granaries of Roumania and Hungary depends, not on whether the Swastika flies at Bucarest and Budapest, but on whether German alliances and German power can keep open the routes through Poland and Austria. Thus, viewed from this angle, the problem of economic resources is definitely subordinate to the problem of naval, military and air power.

But that is not an end of the matter. Dependence on insecure resources, whether colonial or foreign, provokes, in a world of power politics, efforts towards greater self-sufficiency. These in turn give rise to volcanic internal pressures, which, when they erupt, demand strategic as well as economic relief. The reverse side of the panel is the fact that Italy's covetousness towards Abyssinia, conceived in terms of strategy, necessarily implies a covetousness towards the command of the communications between

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the hoped-for colony and Italy itself. Whether at the back or at the front of his mind, Mussolini's ambition is apparently to command the eastern Mediterranean, the Suez Canal and the Red Sea; otherwise, in the event of a clash with the other naval Powers of the Mediterranean, Abyssinia must be a strategic handicap rather than a strategic asset. The next—or possibly an intermediate—step is to secure for Italy the control of the alternative route to Addis Ababa by way of Egypt and the Sudan.

The sanctions episode has taught the Duce, as well as the rest of the world, several lessons. It has taught him and us the vital importance of command of the seas in protecting lines of supply and military communications. And it has taught us the tremendous power for the suppression of war that resides in simultaneous command of the seas and of vital economic resources. The first real test of economic sanctions has shown that the refusal of finance, the stoppage of purely military supplies, and the ban on imports from the aggressor country are slow and uncertain in their effects compared with the denial of essential raw materials, notably oil, coal and metals—provided they are withheld promptly. The threat of an embargo on oil, late as it was, altered the whole face of the international situation. If oil could be withheld from Great Britain, even the vast resources of the whole British Empire would be inadequate to carry on a prolonged war with modern weapons. There is not a country or an empire in the world—not the United States, not Russia, certainly no European Power—that is independent of outside sources of supply of materials essential for the prosecution of mechanised warfare. Here, then, is the most potent weapon available for the defence of the peace system—not for the rigid prevention of international change, but as an ultimate sanction against defiance of international law and the contumacious rejection of reasonable, peaceful terms of adjustment.

Economic sanctions, of course, must have behind them a sufficient reserve of armed power to prevent the

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aggressor from retorting with an effective threat of war. Any hesitations of British policy in asserting the authority of the League have been largely based on the feeling that in this case the reserve of armed power was represented by the British navy alone, and that the national risks were therefore too great. Economic sanctions require also a further condition that is not necessarily required by military sanctions. They require the co-operation of non-League Powers. In this instance, of the three great Powers outside the League, Japan was of no great consequence as a supplier of Italy's vital needs, while Germany, anxious to retain British friendship, preoccupied with rearmament, and hamstrung by her own economic difficulties, has not presented a serious obstacle to successful economic sanctions, though she and other non-participating countries have certainly retarded their effect. The neutrality policy of the United States is designed primarily to keep her out of war, not to help the League, but its development is of vital importance to the League and, in the long run, especially to the British Commonwealth, which would have to bear the brunt of any friction that might be caused through interference with American trade.

The high tide-mark of the neutrality flood was the Bill introduced by Senator Pittman and Mr. McReynolds on January 3, which would have gone three-quarters of the way towards making the United States an effective, though negative, collaborator in economic sanctions; for it would have authorised the President, among other things, to place restrictions on the shipment to belligerent countries of articles or materials used in the manufacture of instruments of war, or in the conduct of war, whenever "to refrain from placing such restriction would contribute to a prolongation or expansion of the war". It even went so far as to propose that Congress, with the President's approval, might agree to discrimination between the belligerents in respect of the embargoes or restrictions that it authorised. The Bill itself is dead, it seems, and American

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opinion is still violently at war with itself on the neutrality issue. But the conflict is taking on a new realism; for the mist of vague ideals and traditional formulas is clearing away, to reveal the hard inner choice between the sacrifices required by isolationism and the sacrifices required by a new internationalism. The Americans, who to-day feel that economic forces brought them into the war, may come to perceive that on the economic plane is to be found, not only many of the causes of war, but also part of its cure. And in the foreground of the economic aspect of war to-day is the problem of access to essential raw materials and foodstuffs.

II. THE ECONOMIC COMPLEX

THAT problem has several aspects; the strategic aspect has been mentioned already. When we turn from the contingencies of war to the opportunities of peace, there seems at first sight to be no serious difficulty; for, as Sir Samuel Hoare put it in his Assembly speech, "there is no question in present circumstances of any colony withholding its raw materials from any prospective purchaser. On the contrary, the trouble is that they cannot be sold at remunerative prices". But the matter cannot rest there. Not only does the root of the trouble lie in the question why the prospective purchasers cannot afford to buy; we must first clear aside the minor fact that certain important colonial commodities are indeed being "withheld" from purchasers, in the sense of organised restriction of production or export. International restriction schemes are in force for rubber, tin and copper, among other commodities. Sir Samuel Hoare made passing reference to the efforts of a Commission of the World Economic Conference in this direction.

Its work (he said) was directed primarily towards raising wholesale prices to a reasonable level through the co-ordination of production and marketing, but one of the stipulations of such action was that it should be fair to all parties, both producers

THE ECONOMIC COMPLEX

and consumers, that it should not aim at discriminating against a particular country, and that it should, as far as possible, be worked with the willing co-operation of consuming interests in importing countries.

There is considerable virtue in "so far as possible". Consuming interests, not otherwise interested in the producing concern or country, will always prefer a lower to a higher price, unless indeed the lower price implies an eventual collapse of the industry, threatening a shortage of supplies for which a temporary low price would be no compensation. Can anybody doubt that Germany, for instance, would prefer to buy rubber at 3d a lb instead of 6d, or tin at £175 a ton instead of £225, or copper at £25 a ton instead of £35? It is true that the restriction is not discriminatory; Great Britain has to pay the same price as Germany for these commodities. But Great Britain is a great investor in the industries that produce them, and reaps in extra profits much if not all of the additional price that she has to pay for her needs. It is as an investing country rather than as an imperial country that she ranges herself on the side of regulation of output or export with a view to raising primary prices.

But she gains another advantage also, one that is open, on the face of it, to all other countries, whether directly interested in the producing industries or not, and one that must serve to justify such regulation as a measure towards world recovery. She gains the opportunity of selling more to the producing countries. If, then, the regulation of production or export of primary commodities is not to be at heart discriminatory, equal opportunity must be afforded to all "prospective purchasers" to sell their goods to the producing countries. Thus the minor problem of restriction is entangled in the major problem of international selling and buying. The difficulties of the producing countries in selling, and those of the consuming countries in buying, amount to the same thing. The consuming countries have not the means to buy, and they

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have not the means to buy because they themselves cannot sell.

Germany may be taken as an example of a country that not only is deprived of colonial resources of its own but also meets with economic obstacles in seeking to tap the resources of others. Germany's balance of trade has steadily deteriorated during the depression. In 1931 she had an export surplus of Rm. 2480 millions; in 1934 she had an import surplus of Rm. 278 millions. In 1935 she changed this deficit into an export surplus of Rm. 113 millions, but she did so more by means of a further curtailment of imports than by means of an expansion of exports. In spite of the stoppage of her debt service, she has no margin now to finance additional imports except through additional exports. Among the causes of this situation there are at least two factors the blame for which must be laid at Germany's own door. The first is her rearmament programme, which has compelled her to substitute, among her imports, the raw materials of armaments for goods that might contribute more directly to the welfare of her people. This, however, does not in any way weaken our present conclusions, since the materials of armament are among the commodities with which we are here chiefly concerned. The second factor is Germany's determination, while maintaining the nominal parity of the reichsmark, to conduct her internal economy on an inflationary rather than a deflationary basis, thus handicapping her competitive export business. Her leaders would believe, indeed, that she is seeking self-sufficiency for her own sake, regardless of what other nations may do; but it is impossible to avoid the feeling that this is only to make a virtue of necessity. When every allowance, however, is made for these factors, it remains true that Germany has been struck particularly hardly by the tremendous rise in barriers to international trade, including those imposed by Great Britain, and that this has had a disastrous effect upon her international capacity to buy.

THE ECONOMIC COMPLEX

What has this to do with the problem of colonial raw materials? It suggests, first of all, that neither the prosperity of the colonial producers, nor a relaxation of the tension between the contented and the discontented Powers, will be permanently achieved until there is a great reduction in world trade barriers. That is the true inwardness of the problem mooted by Sir Samuel Hoare in September. The facts, however, have a still closer application to the colonial problem. Quite apart from restriction of output or trade in any particular commodity, a discrimination in imports is in effect a discrimination in exports. We cannot, indeed, treat the trade between, say, Germany and West Africa as though it were isolated in Martian seclusion from the whole complex of world trade; Germany's ability to buy from West Africa depends fundamentally on her ability to obtain the necessary foreign exchange, which she may acquire by exports to any country in the world; her channels of trade and currency may be multilateral. But on the whole it is easiest to buy in the country in which you sell. The basis of imperial preferences, from the point of view of the colonies, is that the more they take of British goods the more they will be able to sell in Great Britain; the converse, taking colonial trade as a whole, is equally true—the less they take of foreign goods the less they will be able to sell in foreign countries. Hence imperial preference in the colonies is at bottom a form of discrimination against foreign countries in respect of their access to the things the colonies produce. There may be—there are—many economic and political arguments in favour of a preferential régime for the dependent empire, but here we are concerned only with one aspect of the problem, which all agree is vital to the future of world peace. We cannot genuinely offer to open the question of access to colonial raw materials unless we are prepared to reconsider the question of imperial preference as applied to the colonies concerned. The psychological terms may be just as important as the economic terms. We cannot ignore the effect upon the

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outlook of Have-not Powers of an exclusive economic policy applied to the empires of the Haves.

In a recent article * we gave reasons for questioning the basis of such an exclusive economic policy in terms of our obligations as trustees for native interests. The attitude of mind that regards the colonies as "our markets" (in Mr. Runciman's phrase) is incompatible with the acceptance of trusteeship. It is equally incompatible with a sincere attempt to strike at the roots of international conflict by removing the just grievances of the discontented Powers. Imperial preference between the self-governing members of the British Commonwealth, each of whom can be relied upon to look after its own long-term interests, is an entirely different matter. As far as subject territories are concerned, there is only one policy consistent with equal access to colonial raw materials, and that is the colonial Open Door.

* See THE ROUND TABLE, No. 97, December 1934.

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I. THE MUSIC GOES ROUND AND ROUND

THE American commonwealth is an excited and confused place these days. All at once we are flung into the middle of one of our unbearably protracted presidential campaigns. We are paying on demand a bonus to war veterans which is the largest single hand-out in the history of any nation. We are involved in a fundamental struggle within our unique institution of judicial supremacy over executive and legislative branches of the government. We are engaged in revising our whole concept of war-time relations with other nations. Apart from the countless side issues, many of them of grave importance, there is the basic question of national recovery: of return to a normal economic structure in which people can find work through the established channels of capitalism, and in which vast doles to support more than a quarter of our people in one way or another will not be necessary. Yes, it is a crowded stage, with the orchestra blaring forth in its pit, and the gallery throwing down orange peel and peanut shells, and the people in the stalls setting up an apoplectic outcry.

To get the sense of the country today, we must start with people. Despite the fact that we are in an electoral year with all its tumult, there is the definite feeling that things are less feverish. The stock market, of course, is jittering up and down, aching for an excuse to fly balloons into the empyrean of inflation. But despite all temptations, the great break upward has not yet come. The American boom about which we have heard so much ever since 1933 is certainly not quite here yet. It is probably

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safe to say that the gases are hissing into the balloon faster than hitherto. No one can say when the valve will give way—or if it will give way. Skepticism is probably still the soundest emotion.

But people do not know much about the stock market. They only know about their jobs, and the price of groceries, and the weather. As to these fundamentals: jobs are easier come by than they were; groceries cost a little less than before the processing taxes of the AAA were upset by the Supreme Court; and the weather is very cold. But more people are in Florida than in any previous winter. They are not millionaires, but middle-class folk, who drive their own Fords down, or ride very cheaply on the buses, and live in tiny jerry-built apartments at small cost.

Our national economy is not yet healthy, there are still some 10,000,000 people unemployed, the national budget is in a cosmic mess; but people are in a good humor. The automobile companies brought out their "1936" models in November of 1935, and sold a mighty deal of cars, which is possibly as close as you can get to the great heart of the American people . . . except for the fact that we have just evolved a new nonsense song of particularly poisonous nature. It is a lineal descendant of "Yes, We Have No Bananas," and is called: "The Music Goes Round and Round and Round!" Probably by now it is afflicting the British public too. But philosophical essays could be—and have been—written on the fatalistic viewpoint of the American people, which is captured in that lyric. We are, as you see, getting closer than ever to the halcyon nineteen-twenties.

The year-end statistics were of course pretty rosy. That is, if you did not object to vast governmental deficits met by borrowing, and a load of retainers on the nation's shoulders who will be thrown off with difficulty. The plain fact is that many businesses are at last making money. With the end of processing taxes, many more hope to join the parade. There are bad spots in the national economy :

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too many people are on direct or indirect doles, too many have enlisted in the federal bureaucracy, agriculture has no way of taking care of the potential surpluses of a year or two hence, and quite possibly industry will again build up its own surpluses. Fundamentally, it is of course clear that the United States cannot be sound again until the world economic system is sound, and the interchange of goods and materials is established once more. But thanks to the stupendous siphoning of money out of the banks and into the public's pockets (and back into the banks again) we have a certain amount of a certain type of inflation. Thanks to the drought and to crop control we have pretty good farm prices, and excellent farm purchasing power. We also import a lot of farm products, but presumably sooner or later we will export goods to pay for those imports. Thanks to this improving purchasing power all round, industry is running fairly well.

It is a picture of apparent recovery at least, whether we are riding for a fall or not. It is hard to make up your mind quite how unsound the bases really may be. Our bankers and stock-brokers and many of our industrialists think it is all wrong, and blame Roosevelt for everything. One poor chap in New York thought about it so much that it affected his mind; he threatened the President's life and had to be put away. Plenty of others go almost as far. But they have been nearly as emotional for over two years now, and have weathered the storms, and today the Supreme Court is coming to their defense by scrapping the emergency institutions which are no longer life-belts but incumbrances now that we are in shallower water.

II. PRESIDENTIAL TIMBERYARD

THE fundamental division in the country is just what it has been all along: above a certain economic level, most of the people are against Roosevelt, and below that line most of them think he is their friend. This may be a

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regrettable drawing of class lines, especially in its bitternesses, but after all is it so very different from the line that separates most of the Labour party from the Conservative party? And is it not the introduction of reason and interest into politics, rather than arbitrary, confusing and almost meaningless distinctions between Republican and Democrat?

President Roosevelt is apparently confident and cheery. Those who see him twice a week for conferences notice a striking brightening since last summer. The change is evidently based on the President's conviction that the common man is with him. Many common men are, as we have seen, but politics in the United States never move altogether on these class lines. New England, for instance, although heavily industrialized, will probably vote as a bloc against Mr. Roosevelt, because of inherent sturdy conservatism in money matters and resentment against processing taxes, which seemed to penalize textiles. New York, New Jersey, and Pennsylvania, immensely important states, are now probably more adverse to the President than for him. If they go against him in the elections, he will have trouble winning. Their objections are like those of New England.

Mr. Roosevelt is still the only political target in sight, and he is beset by a powerful army of lively foes. They are thus far an irreconcilable faction of discontent, incapable of uniting on a single opposition candidate of any strength or character. The chances are that the Republican candidate will be a "dark horse," a man of no outstanding national reputation, but with fewer positive handicaps than any of the others. The decision will not be made until mid-June, and furious jockeying is going on between the eager rivals.

There are six men now in line for the Republican nomination. A survey of their personalities is revealing of the contemporary national scene. First is Herbert Hoover. The former President has been conducting a very successful speech-making campaign during the autumn and

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winter. He is "humanized," and has secured the services of a first-class secretary, speech-doctor, and advisor. This Crichton, one Ben Allen who formerly worked for the Associated Press in London when Mr. Hoover lived there, is just the chap who was lacking in the Hoover secretariat during the years in the White House. He has bushy eyebrows, placidly smokes a pipe, and has brought to Mr. Hoover a hard-hitting sort of good humor which reminds one very much of Mr. Stanley Baldwin's general technique. Mr. Hoover has now made four major speeches, each more poised and penetrating than the last. At his California home, amid the spicy eucalyptus trees, the former President is communicating with lieutenants all over the country, receiving assurances of support, and strengthening ties for the presidential nomination convention in Cleveland in June. Mr. Hoover has one tangible political advantage: as titular leader of the party he can fairly easily get together what are known as the "black Republican" delegates to the convention. These are representatives of the southern states which almost always go Democratic, but they are full-fledged voting members of the nominating convention. They make a powerful bloc. In addition, Mr. Hoover is showing all his old mastery of facts and statistics. Just so long as he does not have to initiate policy, and is relieved of the responsibilities of office—which overwhelmed and bore him down in a dread psychological sense—Mr. Hoover is a capable, successful, and even whimsical human being. He also understands the issues better than any other Republican.

Such are the Hoover assets. His handicaps, no less impressive, are the sum total of the depression years—the vast discontent of the country with his administration—and a feeling even among many conservatives that "we don't want to go back to Hoover." Set off against this, however, is an equally devoted group of admirers, some of them close personal associates, others who never saw Mr. Hoover but formed an almost religious admiration

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for him. These are the people who talk of "*dear* Mr. Hoover."

But Mr. Hoover's chief obstacle is in the formidable person of Senator William Edgar Borah, the leonine veteran from Idaho. If Mr. Hoover has the best grasp of the issues, Senator Borah is the most capable at stating them. He speaks seldom, but when he does it is with masterly eloquence, patriotic fervor, and sometimes incisive logic. Senator Borah is a grand old man of American public life, but he will be 71 when the time comes for the next President to move into the White House. And beside all his eloquence, his flashes of pre-war liberalism—of "trust-busting"—is a good deal of inconsistency and opportunism. Senator Borah is a shrewd man, and while he inspires and thrills people he does not evoke confidence. Moreover, he has voted for many New Deal measures in Congress, is very unorthodox on monetary policy, and supported the most extreme form of crop control, a legislative abortion known as the Potato Act. Idaho raises many and huge potatoes, and Senator Borah acted in his constituents' interest in favoring a law which places a quota on individual production of potatoes, with a stamp on every sack put on the market. It was an unworkable law, and the Secretary of Agriculture has refused to carry it out—a curious anomaly in American government.

Senator Borah's chief motives in entering the presidential race, it is generally felt, are first to make certain of his own re-election to the Senate, and second to block Mr. Hoover, whom he distrusts with an abiding fervor. Some think that Messrs. Borah and Hoover will check-mate each other. It may be. But it is still possible that either Mr. Hoover's ready-made bloc of convention votes, or the magnetic lure of Senator Borah, may sweep the Cleveland convention from its feet, and nominate one of them. It is possible, if not probable.

Next in the list of candidates, and likeliest of all at this

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moment, is Governor Alf M. Landon of Kansas. Governor Landon is a successful oil operator, youngish, rather neat and handsome, frank and charming in his private manners, with a family of pleasing young children and a tactful wife. He has been a careful governor, has saved money for Kansas. Moreover, Kansas stands for a type of agrarian liberalism which has a homely appeal for the American people. Governor Landon is being built up as the "Kansas Coolidge," and that is a grand slogan for these fevered times. Moreover, he is keeping quiet in his state capital at Topeka, being nice to visiting newspaper correspondents and political moguls, and letting his friends spread his gospel over the countryside.

There is a great likelihood that Governor Landon will be the next Republican nominee for the Presidency. The only drawbacks are that he has never been proved to be of leader-like stature. His experience is very limited, he is not a good speech-maker, and some of his best friends used rather cruelly to say: "Alf Landon would make a good vice-president." But now they are eating their words. Daily, Governor Landon is a more reasonable candidate; amenable, uncompromised, without enemies. He strongly sympathized with the AAA—just thrown out by the Supreme Court—and has flirted with many New Deal ventures. But these dalliances may be assets rather than drawbacks. For the old-guard opponents of the New Deal cannot but vote for the Republican nominee, whoever he is, and Governor Landon's streaks of liberalism may bring some of the waverers into the fold.

Remain three lesser candidates. One of them, Colonel Frank Knox, is working very hard—too hard. His chances are already discounted because of over-cagerness. He is publisher of the *Chicago Daily News*, but that is no particular asset. His speeches and editorials do not reveal the saviour of America.

Senator Lester J. Dickinson of Iowa is a bitter and uncompromising enemy of the New Deal and of most

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things liberal. If the old-guard wing of the Republican party—the powerful ring mostly of easterners—controls the Cleveland convention as it has so many in the past, it may hit upon Senator Dickinson as a midlander who should have lived in Wall Street. If the campaign is war to the finish against all things Rooseveltian, Senator Dickinson is the man to send out barrages of hot-shot invective. But it is unlikely that things will sink to that pitch. If they do, Mr. Roosevelt will probably be re-elected.

Finally, there is Senator Arthur H. Vandenberg of Michigan. Senator Vandenberg is giving the best imitation of a dark horse that is within the histrionic or zoomorphic powers of a member of the United States Senate. For nearly three years he has been mentioned as a possible candidate, but he has taken no open steps toward the goal. There is a faint aura of liberalism about Senator Vandenberg. He was perceptibly unorthodox during the Hoover period, and has favored some New Deal measures. But principally, he is an unblemished candidate—your typical dark horse. Senator Vandenberg has been in the Senate through all the depression years, and has done little constructive. He is independent, however, and looks like a proper American president—broad brow, amiable face, rimless eyeglasses, nice smile, smooth hair. He would go well on the posters, and he makes a good speech. If the Cleveland convention is deadlocked, say between Hoover and Borah, and if Landon's strength does not shape up as expected, then Senator Vandenberg is in a highly strategic position.

Only when the candidate is nominated will the real presidential campaign begin; only then can we estimate President Roosevelt's chances of re-election accurately. But meantime a picturesque army of crusaders are shivering lances on the White House door. Mr. Hoover is in their van. Beside him is his erstwhile enemy, and Mr. Roosevelt's one-time bosom ally, the "Happy Warrior,"

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formidable "Al" Smith. Mr. Smith, the fine flower of New York's east side, once held the "common man" in the great urban centers of the nation in the hollow of his capable political hand. Perhaps, even now, his rasping voice and malapropisms keep their political magic. But his only recent appearance was in January at the lavish banquet board of the American Liberty League, the millionaires' organization of which he was a founder. This dinner, graced by no less than twelve members of the DuPont family of munition-makers, who largely finance the Liberty League, marked "Al" Smith's transition from the Man in the Brown Derby to the Man in the White Tie. With the brown derby, the political magic may have gone too. We cannot tell yet.

Attacking President Roosevelt are many conservative lawyers, such erstwhile Democratic leaders as John W. Davis, the urbane Ambassador to London and presidential candidate in 1924, and Bainbridge Colby, one of Mr. Wilson's secretaries of state. This group has unlimited financial resources, but across their brow is writ that political bugbear: "Wall Street".

Not so branded is another picturesque character, Governor Eugene Talmadge of Georgia. This gentleman is self-made. He was until recently the agricultural commissioner of his state, and rode into office by expert manipulation of a system of voting that is incredible in a democracy. In Georgia one vote in a hamlet in the hills is worth, by actual count, more than ten votes in the metropolis, Atlanta. Each county has a fixed number of "units," whatever its population. Therefore, by clever cultivation of the backward counties, you can get elected on a gross minority of votes. Governor Talmadge is an imitation Huey Long. He wears, and boasts of, a famous pair of red braces which were to have supplanted Huey's green silk pajamas. He has, too, a drooping forelock of hair in the best tradition of statesmanship. And he has a tongue dripping vitriol. He also completely lacks national

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political sense, and will probably turn out to be little more than a noisy nuisance. Today, as these words are written, he has nominated himself for the presidency.

The Huey Long organization in Louisiana did not crumble with his death, as many expected. By virtue of many political devices invented by the late dictator, his mob rules still. It is a pack of little men, however, and ultimate disintegration seems inevitable. Such is state government in the United States, reduced to its lowest level. Viscount Bryce knew all about this; *The American Commonwealth* is a good text on Huey Long. But such is federalism.

III. THE COURT AND THE NEW DEAL

ONE comes thus naturally to the question of the Supreme Court, which threw out the Agricultural Adjustment Act on the ground that it contravened states' rights. The NRA was disposed of on very similar grounds: the inadequacy of the interstate commerce clause of the Constitution. Other ambitious ventures of the New Deal seem on the same dangerous precipice.

This is no place to argue the merits of the Supreme Court's present stand. The NRA was thrown out—unanimously—and people could not complain much. The law was not in doubt. But the AAA went down under a 6 to 3 vote. The three men in the minority were eminent jurists: Justices Stone, Brandeis, and Cardozo. One could not question their honest interpretation of the law. The same regard should be shown to the majority, although it is true that all three minority justices have had far more eminent legal careers than at least three or four of the majority, who were political appointees, and make no secret of their heartfelt conservative convictions.

Such closely divided decisions leave the nation in grave doubt. Many eminent scholars consider that the Court's decision was based on political rather than judicial grounds.

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It is perfectly evident that this was so, and it is not insulting to admit the fact. For the terms of the United States Constitution are very general; some phrases may have several interpretations; the protection of the "general welfare" is indeed a broad provision. Upon what basis, then, should a judge make up his mind if there is no legal distinction to guide him? Must not the very fundamentals of his thinking come into play, and if these fundamentals are openly, deeply, and sincerely conservative, why must he not reflect them?

All the same, the country stands by the Supreme Court. The American people have a deep, inbred respect for the Court. Abuse of its decisions was far louder in every generation in American history than it has been in the present crisis. Gutter language has been heaped on the Court so recently as the present century by eminent men. Not so today. Criticisms were couched in reasonable language; abuse was in private. It is not flippant to say that Mr. Chief Justice Hughes—he of the olympian beard—has enabled the Court to hand down inescapably "political" decisions with dignity and in shining armor.

The country stands by the Court. But it is only because the instruments now being thrown away by the Court have outlived their acute and sudden necessity. Had not NRA taken up the slack in 1933, had not AAA succeeded in cutting farm surpluses and raising farm purchasing power, and had they been in full play now, it would have been more difficult for the Court to end them. But the emergency has largely passed; it may come again, particularly on the farms, but the government will continue to send out checks for many months, prices are good, and crop surpluses do not yet overhang the market.

The issue of judicial supremacy is still with us. But without a radical overturn in our political structure, it will always be there. Much more likely is a change in the Court's personnel. Two-thirds of the judges are very old men, and one tries to be realistic but not morbid in

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thinking that President Roosevelt—certainly if he is re-elected—will have the opportunity to enlarge the “liberal” minority of three to perhaps five or six.

The Court has no opportunity to overthrow our most striking, and, to many people, our most fantastic ventures. The soldiers’ bonus is law over the President’s veto, and by July its two thousand, four hundred and ninety-one millions of dollars will begin to pour out over the land. The United States, which has already been open-handed with its war veterans, embarks upon the greatest Santa Claus adventure in world history. Bonds or cash will go out to about 3,518,000 veterans. A total of 36,724,279 bonds of fifty dollars each are being distributed. Payment on many of these has been anticipated, so that the total cash which will start in circulation in July may be less than two thousand millions of dollars. But, whatever the equities involved in this wholesale raid on the Treasury, the burden on the government is little different from what it would be if we had to fight a medium-sized war, or built a big navy, or disbursed relief doles half the amount of those we are giving out in the present fiscal year. It is nonetheless the most extreme example of pressure-politics. The veterans, operating chiefly upon individual members of Congress in their own districts, held a terrifying whip hand.

But the major factor in enacting the Bonus Bill was Franklin D. Roosevelt, who curtly vetoed it. For President Roosevelt began the era of big spending, providing people with the argument: “Everybody’s getting it; why not us?” Morally, Mr. Roosevelt could not stop the Bonus Bill. His own hands were not clean, however impeccable his reasoning may have been against the Bill itself.

And—to end this letter in the same place as it started, with ordinary people—the bonus viewed from the middle-class fireside is very different from the bonus in government or fiscal theory. As the Senate passed the Bill over the President’s veto, I sat in the gallery with a young

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matron, a relative. Her family has been having a rocky time. The husband, a war veteran, invested his small capital in a wholesale hat business, which is almost failing. Their weekly income is pitiful. They have never taken a penny of public charity.

But what they intend to do with the bonus! First the wife is going to discharge a long-standing account at the grocer's—(there has been precious little trading at the butcher's for them lately). Then they are to pay the dentist, who needs his \$45 badly. Next comes the roof of their house, sadly dilapidated. Next—they hope—will be two new easy-chairs for the living-room: the old ones are dreadfully shabby and the springs are broken out. But most important of all, they are going to buy back their life insurance, which has been in jeopardy for several years, the charges paid with hardly borrowed money. This is, I know, a Sunday-School sort of picture, but it is true. Many other veterans will blow-in their money for new motor cars, and trips to the mountains, at the races and for drink. But the money will circulate. My relative, it happens, is a moral victim of the war. His whole life was unsettled, he might have been a successful rather than a poor hatter, and his wife might have had a happier life had not his country called upon him for a sacrifice. But now that we are in an era of vast spending, now that money is being siphoned out of the banks to "prime the pump" of recovery through public works and relief and what-not, the veterans insist on their claim. It is easy to condemn them and their methods: easy, everywhere except at their fireside.

And this is true because Americans, more than most other people, have ceased to believe in the old economic laws. That is why the Townsend Plan of \$200-a-month old-age pensions has amassed enormous political support. The old laws seemed to fail. The new ones don't work either. We are adrift, and will tie any sort of shirt to the mast so long as it catches a breeze. Perhaps, after the

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next election, we will turn back into traditional channels. Perhaps the Supreme Court has already turned us back into them. But if it has, we have not yet quite recognized the landfall.

IV. FOOTNOTE ON NEUTRALITY

THE international public has latterly heard a good deal about our efforts to work out a war-insulating form of neutrality; that is why this letter has not expanded on the subject. The question is now in flux. Before the Congress are two very similar Bills, providing for obligatory arms and financial embargoes, and war-materials embargoes optional with the President, to be applied impartially against all belligerents. The Bills contain many confusing clauses. One, for instance, deliberately condemns the doctrine of the freedom of the seas, while another insists on our neutral rights as of August 1, 1914.

Until some definite legislative action is taken, one must reserve interpretations. But it is possible to describe the forces at work. Basically, the American people are still anxious to keep out of trouble, are determined to prevent the money-motive from getting us into war. President Roosevelt and Secretary of State Hull share these views, together with a keener appreciation of the need for discreet collaboration with the collective-action machinery. This latter motive is suspected, and distrusted, by the Senate. Moreover, a group of ultra-nationalist senators, including the old redoubtables, Hiram Johnson and William Edgar Borah, are working behind the scenes to prevent any "surrender" of American "rights". Exporters are also at work, not the least of them the cotton and oil men, realizing at last that they are being called upon to approve a self-denying ordinance. Italo-Americans are intensively lobbying. Students of world affairs, the American habitués of Geneva, object to the neutrality Bills because they close the direct door to collaboration with sanctionist States—however open the back door may be, as in an "impartial"

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embargo against both Italy and Ethiopia, which would really penalize Italy. Out of these conflicting forces—which have stirred up the most salutary debating and thinking—may come at first little more than an extension of last August's arms embargo resolution. But ultimately our re-examination of our position, despite the trend toward isolation, ought to lead to clearer executive policy. It is important to realize that assertion of neutral rights—as in the last war—is primarily an executive matter. We can “wage” neutrality or we can remain neutral or we can collaborate with sanctionist Powers, provided there are any. We know the choices, and when or if European conflict breaks out, we will be a little better informed than we were in 1914.



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A FEW days before the death of the Sovereign of the Empire there passed away, at the same age of seventy years, the man who in the early prime of his life had been acclaimed as its prophet and its singer.

It is too early yet to attempt to determine Rudyard Kipling's place in the history of English literature, but this at least can be affirmed, that despite any defects that can be alleged against his work—its occasional tawdriness, or its lack of self-criticism—he was a man of genius, real, fresh and vital. And to him as to other men of genius it was given to kindle his torch just when men needed its flame. There was a twilight over the literature fashionable in the London of the late 'eighties and early 'nineties of the last century. *Fin de siècle* it was called. Too much of it smelt of pessimism and decay. Into this unhealthy atmosphere came Kipling with his *Plain Tales from the Hills*, his *Life's Handicap* and the *Barrack-Room Ballads*, like a great wind from the sea; and the Green Carnation withered and the Yellow Book turned pale beneath the blast. Men looked up from his stories of private soldiers, or of district officers going strongly and silently about their unnoticed work on the sweltering plains of India, and—"strong silent men" not having yet become a jest—thought afresh, or thought for the first time, of the vastness of the responsibilities of Empire, of its burden and of its glory, of the dust and the palm. And because England was, in Kipling's phrase, "the powerhouse of the line," they thought afresh of England herself and of her mission in the world. Kipling became the inspiration in the imaginative sphere, as Joseph Chamberlain was in

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the political, of the imperialism of the twenty years that followed his first appearance in the great world. Those twenty years were no unworthy period of British history.

Looking at Kipling purely from the literary point of view, the critic might hazard the conjecture that if any of his work is destined for immortality it is his prose rather than his verse. Confident prediction on such a point would be dangerous indeed; for it is given to no man to know of the gems fashioned by a contemporary craftsman whether they are jewels such as will

“on the stretch’d forefinger of all Time
Sparkle for ever”.

Yet it may surely be claimed for Kipling that he ranks with R. L. Stevenson as one of the greatest masters of the English short story. His technique is all his own. His style is *staccato*, vivid, vigorous, pulsing with life. His range is immense, from Private Mulvaney to the technical details of machinery, which become in his hands a living thing, as in “The Ship that Found Herself”; from the beasts of the Indian jungle through all the ages of British history to the English countryside and the imaginative beauty of “They” and “The Brushwood Boy”. And his short stories are told from pure love of the subject-matter, from the sheer love of the telling. Although they have powerfully influenced men’s thoughts, they are not didactic. Hardly ever, though “The Mother HIVE” in *Actions and Reactions* might be cited as an instance to the contrary, are they tracts for the times; and, as with all art, the lessons they have to teach are the more lasting for that.

The same literary claims could hardly be made for Kipling’s poetry. He was at his best an admirable verse writer, a brilliant epigrammatist. His line, “What should they know of England who only England know?”, hackneyed as it is, may serve as an illustration. Much of his verse has a fine heroic ring; he has moved the hearts of

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men; he is powerful in invective, witty in satire, always eloquent; and at times he reaches real lyric beauty, as in

“ There’s a whisper down the field where the year has
shot her yield,
And the ricks stand grey to the sun,
Singing : ‘ over then, ease over, for the bee has quit the
clover
And your English summer’s done ’ . ”

Or in

“ Cities and Thrones and Powers
Stand in Time’s eye,
Almost as long as flowers,
Which daily die.”

But his lack of the critical faculty sometimes allows him to let a thoroughly bad line stand next to a brilliant one; and whereas we do not scruple to rank his short stories with the best in the language even the very best of his verse could not bear comparison with the great things of Wordsworth or Keats.

Moreover—and this perhaps matters more—if there was in his imperialism anything that was blatant, anything that might offend the sensitive by an appearance of exultation in mere power as such, it was in his verse, not in his prose, that it showed itself. His verse, unlike his prose, is sometimes didactic, written for a purpose—witness, for example, “The Islanders.” When he assumes the rôle of the super-journalist or political pamphleteer, verse, not prose, is his medium; and because his vigour was little calculated to conciliate an opponent it was often possible to foretell, from an acquaintance with a critic’s political opinions, what would be his judgment of the literary merits of a poem by Kipling. So it was that while to a multitude of plain men, and not to them only, he was the unofficial Laureate of the Empire, to John X. Merriman at the

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Cape, an old Liberal of the Gladstonian school, he was "a rowdy Tyrtæus".

In itself his political philosophy was, as he was, robust and manly. His call was to service, to effort, to sacrifice for a worthy end; and, to him, no end was worthier than that of the unselfish government of primitive peoples. Certainly he preferred good government to self-government. He is not, indeed, always consistent. In "Kitchener's School" he writes with approval of the stage that is reached when peoples once subject are able to

"Make laws of their own choice and Judges of their
own blood;

And all the mad English obey the Judges and say
that the Law is good."

But there is a more authentic ring about the lines

"Take up the white man's burden—

Ye dare not stoop to less—

Nor call too loud on Freedom

'To cloak your weariness."

And in post-war years Kipling may have felt that there was danger lest that warning be disregarded. But Kipling's work was done. What there was of dross in the earlier imperialism was purged from it by fire, and the ultimate doctrine remained, that the essence and justification of empire are duty and service, and that the highest possible service is rendered to the world by a ruling race, their duty is most fully done, when, as Kipling said, they

"Show all peoples their magic and ask no price in
return."

And that magic is training for self-government and its eventual realisation—by peoples really fit for it.

Kipling mellowed in later life, like other men. For all

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his far-flung patriotism the core of his devotion, as that of every patriot must be, was to his own home.

“ God gives all men all earth to love,
But since man's heart is small,
Ordained for each one spot should prove
Belovèd over all.”

Let us now praise him among our famous men; for he was of “such as found out musical tunes, and recited verses in writing.”

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I. ECHOES FROM ABYSSINIA.

INDIAN interest in Abyssinia has continued to be keen, and few British adventures in policy can have given better opportunity for mordant comment than the Hoare-Laval peace terms of December. The general opinion here was that the arrangement of these terms was statesmanship at its nadir, inasmuch as they were at once discreditable and foolish; while a statesman may be occasionally one or the other, he should never be both at the same moment. The Indian press, with our leading Anglo-Indian newspaper, the *Statesman*, in the van, took a serious view of the proposals, and the *Statesman* from the first regarded them as involving inevitably Sir Samuel Hoare's position at the Foreign Office. His resignation provided abundant scope for press comment out here, a favourite line among nationalist papers being that the late Foreign Secretary had taken on a self-sufficient tinge as the inevitable result of his years of too little controlled sway at the India Office, and that his fall was due to a failure to realise the difference between matters on which the British people has views and passions and those on which it has not, that is of course to say, Indian affairs generally.

The proposals dealt a severe blow to British credit in India, and the general feeling is one of resentment at what is regarded as an almost intolerable cynicism. Here and there comes a recognition of the fact that conditions of administration and government in Abyssinia leave much to be desired, and that resentment at Italian *zabardasti* should not be allowed to obscure the truth that the Abyssinian system is anachronistic and oppressive. The view of the

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general public, however, is fixed on the fact that the proposals would give to the aggressor most of what he had committed his aggression to gain. In other words, the judgment is by morals, not expediency, and issues taken to this touchstone do not readily admit any other adjudication. It is difficult not to feel that the Hoare-Laval conversations were entered into too lightly, without sufficient regard for the susceptibilities of such elements in the Empire as India. From one point of view the old issue has been brought up again, whether in foreign affairs of this scope the British Foreign Office should operate alone.

II. FIFTY YEARS OF CONGRESS

ON December 28 the Indian National Congress completed fifty years of life. This half-century has coincided with the development of an Indian as distinct from a regional or linguistic self-consciousness; and those who dislike or condemn the Congress and its works forget too readily that the organisation with all its faults has been primarily an expression rather than a purpose. A distinguished English historian has recently found in the continuance of the Westminster Parliament and its faculties of discussion, criticism, complaint, even under the more rigid and unrepresentative Administrations in the United Kingdom, the real reason why periods of depression, unemployment, hardship and excitement in the past century and a half have passed off without even an approach to civil war, or indeed anything but minor *émeutes*. The British people ought then to be grateful to the Congress; for during its fifty years it has provided just such a safety-valve, far more limited, no doubt, at least till after the Great War, but performing always that invaluable function.

The British are apt to pride themselves on not being logical, a misdirected conceit that arouses frequent exasperation among such peoples as the French; this exasperation is not unreasonable, for if we wish to pride ourselves on not

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being logical we should not be surprised or resentful if the application of empirical methods towards peoples who do proceed by reasoning brings difficulty and trouble. The British introduced English education into India, and all the brighter intelligences were set to work reading the gospels of British political liberty, from which it would seem the most obvious consequence that these gospels should proceed at once to an Indian translation. Few things have more vexed the thoughtful Indian politician than this action of deliberately exporting British political theory and yet apparently marking it "not for consumption in India". If the Congress is regarded primarily as an expression and only secondarily as a purpose, a better idea will be gained of its true place in the life of India. One does not sit on safety-valves, but at times British Governments have come perilously near doing so.

The fifty years of Congress activity could be fairly separated along the line 1920. During the first of these periods the Congress was essentially a critical but a constitutional and co-operating body. Some attribute the post-1920 developments to a single source, Mr. Gandhi; but while his influence has been profound in both tenets and methods he has been rather the channel that carries and guides than the actual stream itself. That stream was the war. It is true to say that if Great Britain has had a multiplicity of troubles in India since 1920 she has made them herself, or at least shares with the rest of Europe the credit or blame. The spectacle of Christian and civilised nations, hitherto respected without question as the leaders of the world in every zone of human effort, slaughtering each other in a wild and useless abandon, tore the veils from other eyes than those of their own more thoughtful inhabitants. Where respect goes, affection cannot linger. Seen from this angle, the development of the Congress towards distrust, opposition, independence and violence signifies a moral as well as a political repulsion. If the Congress methods of propaganda and mass intimidation

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are condemned, it should be borne in mind that the principle of peaceful persuasion, cast overboard so ruthlessly in Europe in 1914-18, should not be expected afterwards to function inviolate in India—or elsewhere; the world is too small now for that. Europe is in a glasshouse; unless it improves its manners, the stones it throws will injure itself far more than its neighbours.

III. LIBERALS AND THE NEW CONSTITUTION

CHRISTMAS time in India is conference time, and the interval from Christmas to New Year always sees one or other prominent town in the country housing a meeting of Congress, or the Liberal Federation, or the Women's Conference and so on. (Congress, however, is showing a tendency to abandon the hitherto favoured season.) The Liberal Federation's assembly took place this year at Nagpur, under the presidency of Mr. Venkatarama Sastri. In the course of an interesting address Mr. Sastri was at pains to indicate the extent to which the Liberals are ready, indeed willing, to march alongside Congressmen in their national activities.

We are colleagues in effort and brethren in service, and we gladly extend to them our hearty felicitations and good wishes, in the full trust that, moving along different paths where we must, and treading the same paths together when we may, we shall one day achieve the freedom and the glory of our own Motherland.

A Congress daily of Delhi interprets this statement to mean that the time has come when the old Liberal creed of co-operation with Government wherever possible and opposition when necessary should be reversed to opposition wherever possible and co-operation when necessary. Although the wish perhaps was father to the thought, the belief is not without justification, and there was much in the Liberal President's speech to indicate a certain weariness, if not despair, at the years of disregard that have accompanied the Liberal endeavour to be different. It has

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always been the British practice to take their friends for granted and try to conciliate their enemies. It is not a policy that tends to the popularity of the British people or their Governments, and is perhaps less likely to succeed in India than anywhere else; for a country of realists will never be under any illusions as to motives.

Mr. Sastri's speech indicated some regret that the Government of India Act was ever passed. We could, he said, have gained all that the Act gives us through modification of the Montagu-Chelmsford constitution by rules under the 1919 Act; that this did not ensue was due to Congress intransigence. Thus India had waited eleven years for something at once more rigid and in itself objectionable. He interprets the retention of the 1919 preamble, about which so much was said—rather unconvincingly—by the Secretary of State and others, as in effect meaningless and as a promise worthless. The preamble referred to the centre and the provinces and to British India only; its retention, therefore, is inadequate to assure Dominion status to federated India.

On the other hand, as I understand the Act, it denies Dominion status to India. It has erected, as far as the combined ingenuity of lawyers and parliamentary draftsmen can erect, barricades against full Dominion status ever being reached.

Another point of grievance was that while Indian States come into the federation their residuary sovereignty remains wholly outside it and outside the control of the Governor-General. "At no point of time, even after the federal government has become fully responsible, can the Indian States come fully into the federation".

Other criticisms of the Act, familiar from comments in past months, were repeated with little that was new. The safeguards, which to Indian political opinion are the most painful feature of the Act, came in for specific condemnation, particularly the fiscal and commercial safeguards. "No safeguard is so sinister-looking as these, and no part of the Act is conceived in such contemptuous disdain for Indian

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interest and Indian self-respect. . . .” Mr. Sastri summed up by saying that power is not relinquished and the old instrument of control will remain, the Secretary of State operating through the Governor-General and Governors and services, protected with special care and empowered to thwart the action of the Ministers.

He came then to the real point of his speech. “What then must we do?” His answer was unequivocal and showed both a grasp of realities and a capacity for clear statement. “If you do not work the Act, the Act does not thereby become unworkable”. This is a view that had been expressed already, but not hitherto in such circumstances or by the President of an All-India political body. He pointed out that though Congress and other parties might refuse to work the reforms there would always be a residue who would, and that what must be avoided at all costs was letting the new governments fall into the hands of these acquiescents. Here, in fact, he gives public recognition to what has been the conviction of all those who have studied the political situation from outside: whatever the dislike of the Act, whatever the resentment against administrative policies or conditions imposed, no political party in India is prepared to stand aside and see its rivals step in to seize the booty of power and privilege. The Act will be worked, but almost certainly not in the way that its framers in the British Parliament expected or hoped when they passed it. It is a wise father who knows his own child, and some of the developments of this Act will cause more than surprise to its British progenitors.

IV. THE SERVICES PROBLEM

GENERAL attention has perhaps been attracted more towards the Delimitation Committee than towards the other committees perambulating or about to perambulate India, although it must be said that interest in any such bodies is rather languid now—there have been too many of

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them in recent years. The delimitation enquiry, however, is at best only a matter of detail, and it seems more than doubtful whether it was really necessary to send out this body from the United Kingdom at all. The essential matters of principle in the electoral scheme were settled long ago, namely, general *versus* separate electorates, allocation of seats to communities, the size of the legislatures and the level and scope of the franchise.

As for the Niemeyer enquiry into the financial aspects of federation, the general problems arising in connection with it are so wide that they would provide material for a book or books in themselves. Another committee much less heralded than these is that under the chairmanship of Sir Henry Wheeler, which came out to investigate the central secretariat system in India. If one remembers that India has been ruled by a bureaucracy for many years, and that the key posts in that bureaucracy have always been held by members of an all-India service who belong in the first place only to provinces and not to the central government, it becomes clear that any decision to create a self-contained central secretariat would mean a complete departure from the present practice. Practically every member of the Indian Civil Service serving with the Government of India has his permanent affiliation with a province, which spares his services for shorter or longer periods to the central government. Thus the higher posts in the Government of India secretariat are all held by men with provincial experience and affiliations. Normally all provinces are represented, though there is no rigid allocation; hence a direct provincial connection is retained. If the Government of India secretariat were to become a "closed system", this contact would be lessened and there would emerge a bureaucracy scarcely less remote than that of Whitehall.

Since provincial autonomy is at hand in the provinces, the chief justification for all-India services at all will shortly become the fact that they meet the all-India needs of the centre. If the central system is closed, then the all-India

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aspect of the services recruited for the provinces disappears, and there will soon arise in a pronounced form that "problem of the services" of which so much has been heard in recent years. The conditions in the central secretariat could not be considered apart from the whole question of these all-India services, certainly of the I.C.S. There have already been sufficient complaints, some of them not without justification, of the detachment of the Delhi-Simla bureaucracy from the real problems of India. The Government of India Act contemplates the continuance, during the transitional period, of government by the Governor-General in Council under the terms of the present Act. At present, therefore, the government is to a large extent irresponsible, and it would seem inadvisable on general principles to entrust the last word to the deliberations of a secretarial caucus. When power is transferred to the federation, the secretariat must inevitably become less of a governmental and more of a purely administrative machine.

One specially interesting point that has been raised is that the States have a claim for representation in the central secretariat even now, and will have a still better claim in the future. This is a development which must indeed be recognised as inevitable. So long as India was a free-trade country with a negligible import tariff, the administration at Delhi-Simla did not really affect the States. With the building of a high tariff wall, this position has been entirely altered. When the central government, advised by its secretariat, considers such matters as the height of the customs wall and the openings in it, those affected naturally demand a say. One of the chief compelling agencies towards federation, or at least the association of the States with British India in a common government, is the pinch on the pocket. It may be that the true begetters of federation are not Mr. Ramsay MacDonald, Sir Samuel Hoare or the other leading figures at the Round Table Conferences, but the first post-war executive Government in

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India, which in the face of mounting deficits and cries for protection laid the first courses of India's present tariff wall.

The services problem has always suffered, particularly in recent years, from its too great popularity in the United Kingdom, and from the too common habit of discussing it in isolation from the problems of India, present and future. The commitments and promises in regard to the services could be charged with the same fault as the safeguards and other elements of the Government of India Act, namely, an excessive rigidity and a too obvious external aim. In both cases, but particularly in that of the services, reasonable assurances could surely have been given in a less provocative form. As it is, detachment and breadth of view are hardly ever to be found on either side in present-day discussions, though in a country with a tradition of authoritative administration stretching back through centuries the choice, remuneration and treatment of public servants are of peculiar importance. Here, as at so many other points, there enters the element of status. India, the argument runs, left alone to arrange the terms of those who are to serve her and whom she will pay, would give every man and every claim their due. India, however, in face of an apparently indefinite flow of agents thrust upon her from London on terms dictated from the same place, regards these men's presence as another slight on her nationhood, with the inevitable result that the problem is no longer judged on its merits.

V. COMMUNAL FRICTION IN THE PUNJAB

THE Punjab has been considerably agitated of late by what is known as the Shahidganj trouble. This reflects Moslem irritation at the Sikhs' retention of a former mosque, and a refusal, not uncommon in India, to admit that legal pronouncements on title and prescription have any bearing where religious edifices are concerned. The crisis came in September in Lahore, when a party of

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Sikhs actually pulled down the building in question, and for some time afterwards Lahore was more or less an armed camp. Since then there have been recurrences of trouble, and indications are not wanting of the hand of the agitator or the *agent-provocateur*. The better elements on both sides have recognised the undesirability of a white-hot communal feud on this issue, but the trouble-fomenters, so common in India, have hitherto been able to keep the embers smouldering.

Nothing can excuse the original action of the Sikhs who pulled down the mosque. In the circumstances in which it was done it was an act of wanton folly and malice, and it is one of the penalties of human existence that we—and others with us—pay for our follies as dearly as for our villainies, if not still more dearly. The local Government took a serious view of the matter from the first, and it is thanks to this and to the support that its measures have received from the better elements that Lahore has seen no shambles.

The dispute is not only religious; nor are the passions that inflamed the Moslem mobs traceable only to this source. These Shahidganj disturbances are in reality one expression of the hopes and fears aroused by the impending reforms. The Communal Decision was the inevitable cutting of a Gordian knot, but like all such measures it could not fail to leave unresolved problems behind. The 51 per cent. majority in the future Punjab legislature secured for the Moslems by the Communal Decision causes the Sikhs and Hindus in the Punjab to feel that they are entering the new régime under a handicap; while the Moslems feel that they are about to enter upon a heritage. Recrimination has long been active and its consequences are visible now. Such manifestations of communal friction may be even more serious in future than they have been in the past. Given the conditions in the Punjab, however, this, like the teething of a child, is a first stage through which any province must pass, and much will depend on how authority handles the position, now and even more so in the first years of the new

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régime. Hence the selection of first-class men as Governors, at the outset and during the early years, is a matter of the very greatest importance.

VI. A HARIJAN REVOLT ?

ONE of the most striking incidents of recent months was Dr. Ambedkar's declaration that the promises of amelioration made by Hindus to the depressed classes had not been fulfilled, and that these classes would now look round for some more kindly environment. He himself would not die a Hindu. The effect of a wholesale shift of allegiance by the depressed classes to some non-Hindu community aroused both consternation and hopes, and offers were made on behalf of Sikh and Moslem organisations promising concessions and equality to depressed class recruits.

It is doubtful, however, how far Dr. Ambedkar could bind his fellows in a matter of this sort. The depressed classes are and feel themselves still Hindus, despite their unfortunate position in the Hindu community; and the suspicion that personal resentments enter into this as into many other of Dr. Ambedkar's pronouncements is probably well justified. It would not be unjust to say that Dr. Ambedkar's attitude could be described as anti-Gandhi rather than pro-depressed class. The differences between the two leaders, which go back several years now, were last prominently illustrated at the time of the famous fast, when the depressed classes leader made skilful use of the emotional disturbance among Hindus to secure a much-extended representation for his community in the future legislative Houses. Emotion, soon and steadily regretted, led to the Hindu pressure for approval of the famous Poona Pact. Lack of emotion, or its control by interest, enabled Dr. Ambedkar to drive the hard bargain that the Pact represents.

Dr. Ambedkar's present *démarche* gives the cynical observer occasion for some comment; for the whole

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circumstance vividly illustrates the singularly unreligious atmosphere of Indian religious controversy. In essence this is at once a social quarrel and a political opportunity, and as such it is regarded by Moslems and Sikhs and the wiser Hindus. Whether the depressed classes will be wise to abandon Hinduism is another matter, and it may indeed be doubted whether the large extension of representation secured through the Poona Pact will really be to their benefit. For unless representatives are active, sincere and united, mere numbers in a matter of this kind have less importance or value than is generally attributed to them. One of the great dangers that the depressed class cause will run is that its interests may be neglected or sold by incompetent or venal representatives. The application of the panel procedure is of particular interest, and on no point will the recommendations of Sir Laurie Hammond's committee be more anxiously awaited. It is not too much to say that the panel procedure is as capable of destroying as of creating the effective and powerful depressed class *bloc* it was meant to produce in the legislatures of the new era.

VII. KING GEORGE'S DEATH

NEWS of His Majesty's death came after the above had been written. India retains much of her faculty of reverence for the person of the monarch, as distinct from the authority of his Government, and there is a widespread and genuine regret at the passing of one whose great qualities have become more and more appreciated in recent years. India looks back on the crowded twenty-five years of his reign, remembers the succession of storms and difficulties, and realises how true a course King George steered on a compass bearing that pointed ever to duty.

References in Indian journals have been sincere and impressive. It would have been easy to emphasise a distinction between the monarch and his Government, and to use a lament for the passing of one to deplore the

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continuance of the other; it is to the credit of the Indian press that the temptation was so generally resisted. No one could have failed to be impressed, for example, by the restraint and dignity of the usually outspoken *Amrita Bazar Patrika*, which in a finely expressed tribute declared: "For good or evil England and India are bound together; one of the strongest links in the chain which binds them together is undoubtedly the Throne". British statesmen and citizens could well fasten on these words as a motto to keep ever in mind in the difficult times before them.

India,

January 1936.

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I. THE DEATH OF KING GEORGE

IN conveying the sincere sympathy of his Government to Her Majesty the Queen on the lamented death of King George the Fifth, Mr. de Valera was the spokesman also of the great majority of the Irish people. The death of no other British monarch has been so mourned in Ireland, and this is one of the best tributes to his memory. Although he visited Ireland only twice during his reign, and although his position precluded him from publicly expressing his feelings about Ireland, the wireless made his voice and personality familiar, and the Irish people cannot forget that on two occasions, at least, he publicly intervened to try to improve Anglo-Irish relations; once on the occasion of the Buckingham Palace Conference, just before the outbreak of war in 1914, and afterwards when he opened the Northern Ireland Parliament at Belfast in 1921. It was on this last occasion that, on his own initiative, he appealed to all Irishmen to pause, to stretch out the hand of forbearance and conciliation, to forgive and forget, and to join in making for the land they loved a new era of peace, contentment, and goodwill. It was then, also, that he reminded us that the future lay in the hands of the Irish people themselves, and expressed the hope that the opening of the Northern Parliament might be the prelude of a day in which the Irish people, North and South, under one parliament or two, as those parliaments might themselves decide, should work together in common love for Ireland upon the foundation of mutual justice and respect. Those memorable words coincided with the end of the Black and Tan terror, and were followed by the

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Treaty of 1921. If their full fruition was, unfortunately, denied to King George, through no fault of his own, one can only hope and pray that their harvest may, perhaps, in the fullness of time, be gathered by his successor.

II. THE GOVERNMENT'S EVOLUTION

MR. DE VALERA'S Government are now entering on their fifth year of office, and, since the normal life in office of an Irish political leader is usually ten years, he, and they, are probably at the height of their power. Their achievements to date are by no means negligible. They promised in 1932 that, if returned to power, they would abolish the oath of allegiance, withhold the land annuities, and reduce taxation. The first two objects were comparatively easy to achieve; the third proved impossible. Direct taxation has, in fact, increased since 1932 by £6,000,000, and indirect taxation by more than half that sum. Moreover, the abolition of the oath of allegiance did not placate the extreme republicans, and needlessly embittered our relations with Great Britain; while the withheld land annuities have been more than fully paid through the penal duties imposed on Irish agricultural produce by the British Government. The net result of their action has been, in fact, to deprive the Free State in four years of national income sufficient to pay the land annuities in full for nearly twenty years. On the other hand, the constructive side of their policy has included a bold, and very necessary, housing programme; an intense, if somewhat rash, industrial development, buttressed by the restriction of imports and increased credit facilities; and several measures of social reform, designed to improve the general standard of our national life.

But perhaps the most beneficial result of their administration is that they themselves are slowly but surely gaining a sense of responsibility. Experience of the problems and difficulties of government is teaching them to eschew wild

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talk, and to hasten slowly. We are apt to forget that although we have an ultra-modern democratic constitution, which we are gradually pruning, we have also a shorter experience of national responsibility than any other people in western Europe; for we have enjoyed local government only since 1898, and self-government since 1922. Democratic rule in the Free State was also challenged in its cradle, not only by mob violence, but also by organised military force, and both were defeated. We must, therefore, be patient, even if it takes another decade of self-government to teach us common sense. Mr. Sean Mac-Entee, the Minister for Finance, has recently, when speaking in the Dail, admitted in unconditional terms that Mr. Cosgrave's Government established the principle of majority rule in the Free State, and he added that the present Government intended to preserve it. Such a confession is eloquent. That the Government are in earnest in this matter is proved by Mr. de Valera's recent refusal to revoke the order made by his Government in 1933 bringing into force Article 2a of the Constitution, better known as the Public Safety Act,* under which the Military Tribunal operates; because, although there had been, he said, a decided improvement in the situation in recent months, organised crimes of violence were still occurring with which the ordinary courts could not deal effectively. This last statement is, unfortunately, only too true, as recent events have proved.

The annual congress of the Fianna Fail party, which was held during December in Dublin, provided additional proof of the Government's growing sense of reality and responsibility, and even of their followers' return to common sense. The resolutions for discussion were not as absurd or extreme as in former years, and the Ministers showed both courage and good sense in dealing with the demands put forward. This was particularly noticeable during the discussions on ground rents and banking. Mr.

* See *THE ROUND TABLE*, No. 85, December 1931, p. 142.

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MacEntee, the Minister for Finance, told the delegates, in reply to a demand for sweeping reductions of urban ground rents, that these, unlike agricultural rents, could not be reduced or confiscated, and also that some of the wild talk he heard about the banks only displayed the ignorance of the critics.

Mr. de Valera himself, in a long and not very lucid speech, although making his usual claims for the Government's achievements, was careful to raise no false hopes about the future. Their fundamental aim, he said, was to try to secure that the people of Ireland would be a united state, and have the freedom that the majority of them desired in republican form; but, he added, they should not be in too great a hurry about it, and, by some strange inverted process of reasoning, he cited John Redmond, most moderate and reasonable of Irish statesmen, as an example of the mistake of trying to reap at once the harvest of centuries. In short, he suggested discreetly to his followers that for the moment, at all events, they must mark time, and be content to view the promised land of an all-Ireland republic from a distance. He added that, whilst the I.R.A. and other extreme republicans had every right to criticise the Government and put their policy before the people, they had no right to resort to arms. By a judicious combination of pensions, government jobs, and repression, he has silenced many of the leaders of this organisation, and crippled the remainder by methods no one else could have used. This is by no means his least important achievement. But he continues, unfortunately, to ignore the fact that the existence of Northern Ireland makes an all-Ireland republic impossible, even if desirable, and he either is incapable of settling the quarrel he has provoked with Great Britain, or does not want to do so. The proper aim of an Irish statesman is to make harmony out of ancient discords, and if Mr. de Valera could, even now, turn his hand to this work, rather than to the creation of new difficulties, he might achieve greatness.

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The prompt conversion of the balance of the First National Loan, which amounted to £7,000,000, into a new 4 per cent. stock, maturing in 1950-70—an operation which all parties combined to make successful—the success of recent municipal issues, and the ready market for industrial development flotations, prove that there is an increasing demand for the right kind of national securities, and that the Government's evolution towards a sense of responsibility is bearing fruit. That demand will certainly continue and develop if we maintain a sound national financial policy based on the realities of our economic position. Another example of the Government's return to saner counsels is afforded by the recently introduced Insurance Bill. This Bill, which has been in a state of incubation for some time, was expected to make it impossible for English insurance companies to carry on business here. In fact it has proved to be a very mild measure, which provides for state regulation of the insurance business under licence, and for deposits in the courts as security for each class of business done. Its requirements will probably be more onerous for the small Irish companies than for their English competitors. It also proposes that a re-insurance company shall be established under official auspices, through which all re-insurance business in the Free State must be done. The state will guarantee the business accepted by this company for the first ten years. If not carefully managed, this part of the Bill may easily prove a double-edged sword.

III. THE END OF THE SENATE

THE Senate is departing its political life in a blaze of glory. On December 12 the Dail, on Mr. de Valera's motion, sent the Bill for the abolition of the Senate back to that House, a period of eighteen months having elapsed since its rejection.* The debate, apart from an impassioned

* See THE ROUND TABLE, No. 96, September 1934, p. 829 *et seq.*

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protest by Professor Thrift, one of the deputies for Trinity College, was a dull affair. The arguments were largely a repetition of those used in the former debates on this subject. Mr. MacDermot seemed to get nearest the truth when he said that, whilst a second chamber was not a real safeguard against tyranny, it would be valuable if we could have an assembly not directly elected where questions would be approached from a non-party angle. Professor Thrift, speaking for the minority, claimed that a second chamber prevented the great and sudden changes that often took place on the election of a new Government, and suggested that the present Government might eventually find such a body useful in saving their own work from destruction. But these arguments and appeals had no effect on Mr. de Valera, who had definitely made up his mind to destroy the Senate in retaliation for thwarting his designs. He confessed, in closing the debate, that if an ideal Senate were to be had he would vote for it, but he did not explain how anything ideal is to be found in this imperfect world. He had satisfied himself, he said, that a second chamber was not essential, but if anyone could suggest a form of second chamber that would be neither a barrier to progress nor a replica of the Dail he would keep an open mind. In his view, the only purpose now discharged by the Senate was to make a general review of legislation, and this could be done in future by having a further stage after the report stage of a Bill in the Dail, during which it could be reviewed as a whole.

Before its end, however, the Senate managed to give the Government considerable trouble and annoyance in connection with the Land Purchase (Guarantee Fund) Bill. The Land Purchase Guarantee Fund was established in 1891 in order to guarantee the payment of the land annuities by the tenant purchasers, and to enable the British Government to deduct from grants in aid of local taxation any arrears of land annuities due, thus making the ratepayers

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in each county responsible for any default on land annuity payments by the tenant purchasers in their district. This provision, intended to safeguard the service of land purchase finance, has now no meaning, as the moiety of the annuities still collected is paid into the Free State exchequer and not to the Land Purchase Fund. Acting on legal advice, the county councils of Cork and Louth instituted legal proceedings, seeking a declaration from the courts that the Government had no longer a right to make deductions from the local taxation grants in order to satisfy arrears of the annuities. Before the litigation was decided, however, the Government introduced the Bill already referred to, which was retrospective in application and so validated the Government's past action, rendering futile the legal proceedings taken by the county councils. The Government was, in fact, in a very awkward predicament; for so large are the arrears in several counties that, if the ratepayers could not be made responsible, their failure to pay might seriously affect the next budget.

So strong was the resentment at the Government's action that the Labour party actually summoned up enough courage to vote against the Bill on the second reading, and the Government majority fell to four. When, after a series of stormy debates, the Bill finally passed through the Dail, it was certified by the Speaker as a money Bill, which meant that, under the Constitution, the Senate could not reject it, but could only make recommendations to the Dail for its amendment. The Speaker's decision was promptly challenged under Article 35 of the Constitution by two-fifths of the members of the Dail, on a petition, requesting that the question whether it was a money Bill or not should be referred to the Committee of Privileges. This Committee, which consisted of three Government deputies elected by the Dail and three Opposition deputies elected by the Senate, together with the Chief Justice, as required by the Constitution, subsequently met, and, by the vote of the Chief Justice, decided that it was a money Bill. It

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then went to the Senate, which proceeded to exercise its only remaining power by passing, on the casting vote of the Chairman, three recommendations, which, if they had become law, would have deprived the Bill of its retrospective provisions; in that case, if the Courts had decided against the Government, the existing arrears of annuities would have become a charge on the national exchequer and not on the ratepayers. Realising that the Dail would have to be re-convened to discuss and reject these recommendations, a process involving further discussion and delay, the Government party in the Senate conceived the brilliant idea—worthy rather of town councillors than of legislators—of saving all further trouble by rejecting the Bill altogether. This they accordingly did, believing it would thus automatically become law. But this rather silly performance was of no avail, because the legal advisers of the Government, who have learnt caution by experience, wisely decided not to risk further legal proceedings by ignoring the Senate's recommendations; for, while that House had power to make recommendations, it had no power to reject a money Bill. So the comedy ended with the Dail meeting again to reject what may, perhaps, be described as the Senate's last will and testament. If Mr. de Valera had the last word, they had managed to give him a last kick, and not an altogether unpopular one.

When the Bill for its abolition came before the Senate, on January 15, Senator Douglas moved a motion declaring that the Senate was willing to pass the Bill if an amendment was inserted to prevent it from coming into force until the Dail had passed a Bill substituting a new second chamber for the present Senate; and the motion suggested a conference between the two Houses to consider this proposal. Mr. de Valera did not attend the debate, ostensibly because a permanent official, who, in his absence, was taking notes of the debate for the President's use, was not permitted to remain on the floor of the House—a privilege accorded only to officials in attendance on a

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Minister. The motion was carried by thirty votes to twenty, and the Senate adjourned *sine die*. At any time after February 11 the Dail can pass a resolution ending the Senate's existence, but whether it will do so is not clear, because the Government have given notice that they will send the Bill for abolishing university representation back to the Senate; if this is done, the life of that body may be extended until some time in April. When its destruction finally takes place we shall be the only Dominion governed by a single chamber, and the only country in the world claiming to adhere to the principles of democratic government in which a simple majority in one chamber has unlimited power to alter the constitution. Every other country with a unicameral government has stringent restrictions on the power of the legislature. The government of the Free State will then consist of the King and the Dail, and probably it will not be long before a President is substituted for the first of these elements, or the position of Governor-General abolished.

IV. THE COAL-CATTLE PACT

WHEN the coal-cattle pact* was concluded between the British and Free State Governments, in January 1935, it was stated by Mr. de Valera that opportunities for further similar understandings would, no doubt, present themselves from time to time, and would probably be taken advantage of by both sides in the same spirit. The agreement announced on February 17, renewing the pact and generally relaxing the "economic war" measures, happened too late for more than brief mention here. The termination of the original pact, which was only for one year, and the absolute necessity for disposing of our surplus cattle, had made it imperative to re-open the question, and negotiations were begun at the end of last year between officials of the

* See THE ROUND TABLE, No. 98, March 1935, p. 369.

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two Governments. On December 30 the Free State Government announced that, pending the conclusion of these discussions, they had made an order appointing 3,114,000 tons of coal as the import quota for twelve months from February 1, 1936, or 199,000 tons more than last year, of which 3,113,000 tons are to be imported from Great Britain.

This announcement was at once criticised by the Opposition, on the ground that it disclosed the concessions that the Free State Government was prepared to make before the pact had been renewed. Mr. Cosgrave, in the course of a lively controversy with Mr. de Valera's paper, the *Irish Press*, pointed out that the longer the delay in negotiating a complete settlement with Great Britain the greater would be the damage, not only to our agriculture, but, in the long run, to our secondary industries as well. At the present moment we were, he claimed, making a war which was not a war at all, and a peace which was fragmentary, and which had given substantial advantages to the British, our alleged enemy, and almost none to our own people. Mr. Cosgrave suggests that the dispute over the annuities should be settled on the basis of our ability to pay, and that our agricultural produce should be given a free entry to the British market, in return for some corresponding concessions to British industrial imports here. Such concessions would naturally be circumscribed, as the Opposition is pledged to support the existing industrial tariffs, but even so there is scope for negotiation.

There can be no dispute, however, concerning the beneficial effects of the coal-cattle pact, as far as the Free State cattle trade is concerned. In the first eleven months of 1935 our live cattle exports increased in value by £1,037,450 compared with the previous year. Moreover, our cattle exports for the first two months of 1935, before the pact began to operate, were lower than those for the corresponding months in 1934, which proves that it arrested a further drop in our cattle exports which would

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have had disastrous results. The Irish coal consumers rightly complained, however, that they had still to pay the penal tax of five shillings a ton on British coal and that the British coal exporter had taken advantage of the position to charge a higher price for inferior coal. The public outcry became so great that on January 22 the Government announced the withdrawal of the tax on British coal, on account of the increase in coal prices in Great Britain.

As has been recently pointed out,* the Free State has nearly 12,000,000 acres of good arable land, with a population of only three million to feed, and since the produce of 2,500,000 acres of tillage will certainly keep our flour-mills, our sugar factories, our breweries, and even our projected alcohol factories fully supplied we must contrive some profitable use for about 9,000,000 acres of pasture and hay, and at least 500,000 acres of root crops fit only for animal consumption. Our cattle export trade is, therefore, vitally necessary to our economic life, and must remain so.

Unfortunately, there seems to be no material change in our relations with Great Britain. The usual rumours of negotiations, some of the most fantastic kind, persist, and are denied in official circles. Ireland was not even mentioned during the British general election, and whatever hope Mr. de Valera may have secretly cherished of a change in the party or policy of the British Government has now been effectively destroyed. On the other hand, there is universal satisfaction at the translation of Mr. Thomas to the Colonial Office. He had, unfortunately, neither the temperament nor the training necessary to deal with the Irish situation, and his successor, who is believed to have courage, imagination, and *savoir faire*, will have an excellent opportunity of making a new approach to what is undoubtedly the most difficult problem before him.

* *Ten Years of Export Trade*, by E. J. Coyne : *Studies*, December 1935.

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The Bill enabling the Free State Government to take the necessary measures to impose sanctions against Italy met with practically no opposition, but Irish public opinion was both shocked and alarmed by the Hoare-Laval proposals. There is no doubt that, if Great Britain had not herself decisively rejected them, the Free State, at all events, would have unanimously refused to support a policy that sacrificed principle on the altar of a futile expediency. It must be emphasised that only a loyal and unambiguous adherence to League principles will receive Irish support. It may, perhaps, be added that the claim put forward by Mr. Dulanty, the High Commissioner for the Free State, at the Naval Conference, that the Free State would have the theoretical right to build battleships up to the "common upper limit" proposed by Japan, need not keep Japanese admirals awake at night, nor does it serve any practical purpose, save to release our inferiority complex and add to the gaiety of nations.

V. ECONOMIC DEVELOPMENTS

FOR the first time since Mr. de Valera took office, the economic position in the Free State shows some signs of improvement. The visible adverse trade balance for the twelve months ended December 1935 was £3,789,152 less than for 1934. It was, however, still as much as £17,400,000, compared with £13,000,000 in 1931 and £10,000,000 in 1930. There has also been a slow, if not very marked, improvement in our internal commerce, as is proved by the bank clearings and railway returns, although the railway increase is largely due to the fact that the railway has now a virtual monopoly. Revenue returns at the end of December also showed an increase of just over £1,000,000 as compared with 1934. This is principally due to the yield from customs and excise duties, or, in other words, to the new tariffs. These indications of a partial return to normality arise from several causes, but principally

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from the increasing prosperity of our largest and only substantial customer, Great Britain. The effects of the coal-cattle pact, a bountiful harvest, industrial development, and, to a small extent, the commercial agreements with Germany, Belgium, and Spain, which have forced those countries to make some return for our imports from them, have also contributed to this improvement.

But this is not the whole picture. The returns of the International Labour Office show that, in spite of our new industries, the number of unemployed increased last year by 5,153, and now stands at 129,403. Although Dr. Ryan, the Minister for Agriculture, has recently stated that he hopes to be able soon to find a market for all our surplus cattle, the official returns prove that the existing alternative markets to Great Britain are negligible. It is difficult, therefore, to see how this result is to be achieved unless the Government pockets its pride and makes a comprehensive agreement with Great Britain on all the matters now in dispute.

The cost of living, largely owing to the Government's tariff policy, has gone up to the highest figure touched since 1931, and is really much higher than the official figures disclose. The cheapest kind of tea is now 1s. 6d a lb, as compared with 1s. in 1931; a loaf of bread is 10½d, as compared with 8d; butter 1s. 5d a lb, as compared with 1s. 1d; flour 2s. a stone, as compared with 1s. 4d, and coal 3s. 6d a bag, as compared with 2s. 6d. These increases bear heavily on the poor in our cities, the agricultural labourers and the small farmers, who are the large majority of our population. One speaker at the recent Fianna Fail Congress complained that people in the poorer districts are "barely existing at present," whilst another delegate at the same gathering stated that farmers find it "practically impossible to make their living on the land." Figures recently published prove that our total poultry population has declined by half a million, although, appropriately enough, the number of geese has increased,

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apparently because they are cheaper to feed. Another interesting and disconcerting fact is disclosed by the admitted decrease in our rural school population, which is probably due to the spread of late marriages among the farming population.

As the new industries cannot absorb our surplus population, the only safety valve, now that emigration to the United States and to the overseas Dominions has virtually ceased, is Great Britain, where 23,000 of our people went last year. The only alternative to a much lower standard of living is, therefore, a reduced birth rate; and those who formerly went to America, being unable to marry and settle down on the land, must remain unmarried. It is quite probable that, as the population of Great Britain declines, emigration from the Free State to that country will increase. Should Mr. de Valera's republic materialise, emigration to Great Britain will become virtually impossible, and many avenues at present open to our educated youth in British commercial and professional life will be closed. This is a possibility on which our ardent republicans would do well to meditate. In order to cope with unemployment, the Government are experimenting with a new scheme of relief works, designed to secure that as far as possible every man in receipt of unemployment assistance will obtain a certain amount of work each year. The aim is to ensure that when a relief scheme is being administered every man in the area concerned will get his share, if possible an equal share, in the work. This is a step in the right direction, and ought, if properly managed, to reduce expenditure on unemployment assistance.

Our educational methods have recently received some searching and long-overdue criticism. Certain obscure officials in the Department of Education, in 1926, without legislative sanction, devised a scheme designed to make the Irish language the medium of general education in our schools. It was imposed first in the primary schools, which are completely under government control. By a

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combination of grants, preferential marking, and pressure from inspectors, the secondary schools have also been forced to follow suit to some extent. The results are now becoming apparent. Teachers, who are in most cases imperfectly qualified to do so, attempt to teach in Irish subjects other than Irish to English-speaking children. In the infants' standards of the primary schools English-speaking children are taught in Irish only, which they do not know, are not taught, and never hear outside school hours. The result naturally is that their intellectual development is seriously retarded, and they cannot learn other subjects properly when they go up to the higher standards.

Such educational methods are bound to be fatal, not only to the general level of education in the country, already low enough, but also to the hope of reviving, or even preserving, the Irish language itself. They are conceived in perversity, being based on the fallacy that Irish is the spoken language of the country, and they are also false to every principle of education. It is self-evident, except, apparently, to our educational experts, that it is impossible to acquire an understanding of what you do not know through a language you do not know. Such methods, if persisted in, can only produce a virtually uneducated nation. The Dublin primary school teachers, several headmasters of secondary schools, leading authorities on education like Professor Tierney, and many infuriated parents, have recently voiced their condemnation of these methods, which, if public opinion properly asserted itself, would get short shrift. The Government, which is under the control of the vested interests that have turned the language into a profitable industry, refuses even to enquire into the matter; so for the present, at all events, parents must continue to suffer this imposition. But it is proof of the slow growth of real public opinion in the Free State that they are no longer content to do so in silence.

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I. THE GENERAL ELECTION

WHEN THE ROUND TABLE last went to press, the final results of the general election were not yet known, though it was already apparent that the Government had been returned with a majority beyond the hopes of all but the most optimistic of their supporters. At the end of a four-year Parliament, elected in the "landslide" election of 1931, they lost a net total of only 84 seats. The following table summarises the change from the old to the new Parliament :

Government Parties.

	<i>Old.</i>	<i>New.</i>
Conservatives	460	387
Liberal National	39	34
National Labour	13	8
National	5	4
	<hr/>	<hr/>
	517	433
	<hr/>	<hr/>

Opposition.

Labour	60	154
I.L.P.	3	4
Liberal	32	20
Communist	—	1
Others	3	3
	<hr/>	<hr/>
	98	182
	<hr/>	<hr/>

The "others" in the new Opposition include two "National Abstentionists," elected for the Northern Irish county of Fermanagh and Tyrone, who will refuse on principle to take their seats at Westminster, so the Government's effective majority on the morrow of the elections was 253.

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This surprising result produced an exceptional crop of post-mortems. The secretary of the Proportional Representation Society calculated that if the election had been conducted according to the rules of P.R. the Government majority would have been only 48. Whether this result would have produced better government during the next five years is a problem that cannot be worked out with slide-rules. The Labour party will have nothing to do with P.R., since by far the greatest beneficiaries would be the rapidly dwindling Liberal party, and, as the *Daily Herald* bluntly put it, "Liberalism's decline is, in many country constituencies, Labour's opportunity". The same paper calculated that an average of 54,545 votes went to elect each Labour member, against an average of 27,207 for each Conservative, and drew comfort from the fact that Labour's total poll was the highest in its history, higher even than in 1929, when Labour became the largest party in the House of Commons. Yet none of the Opposition publicists could argue that the Government had not deserved a parliamentary majority, as the voting went, or that "scare" issues like the notorious Zinoviev letter had been introduced at the last moment to bamboozle the electorate. Perhaps the most striking thing about the election was the success of Government candidates in straight fights in urban and industrial constituencies up and down the country—outside the mining areas, where an impending wages dispute,* echoes of 1926, and the hardships of prolonged unemployment gave Labour an overwhelming advantage.

The result must be explained largely by the fact that the election was fought, not on any particular issue, whether chosen by the Government or by the Opposition, but on the general issue of the merits of a Government under Mr. Baldwin compared with those of a Government under Mr. Attlee or some other Labour leader. It is perfectly

* See THE ROUND TABLE, No. 101, December 1935, p. 153, and below, p. 372.

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clear that the majority of the electorate have not been convinced that the country would be generally better off with Labour in the saddle than under a National Government. There are still fears of an economic and financial setback just as recovery is strengthening its hold, and the Labour party has itself to blame for not courting more assiduously the confidence of the people, as distinct from their belief in its particular policies or dislike of the policies of others. Many electors had at the back of their minds, moreover, a feeling that Labour did not really want office at this moment, and would not know what to do with it if they were given a majority.

A well-known socialist "intellectual," reviewing the results of the election, made the interesting suggestion that the Labour party, without in any way giving up its socialist principles, ought to tell the electorate what it does not intend to do if returned to office, as well as what it intends to do, so that judgment might be passed upon its practical programme unhampered by fears of sudden and violent upheavals in the whole economic structure. Only thus, he felt, would Labour fall heir to the support of British liberalism—which survives the Liberal party undiminished as a national force. The election results show that the bulk of former Liberals, if they did not abstain, voted for Government candidates. Indeed, it is arguable that the real successors of the historic Liberal party are not to-day the Labour party but the Conservatives of the Left. One of the most agreeable features of the results was the return of a number of young, energetic and liberal-minded Conservatives whose seats in industrial areas had been regarded as rather a forlorn hope. It is hard to tell what part the Council of Action * played in the result. To judge from the small fraction (64) of its list of approved candidates that was elected, its influence was not great. But this does not rule out the possibility that in a few "marginal" constituencies it swayed a decisive vote.

* See THE ROUND TABLE, No. 101, December 1935, p. 147.

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The Government were unquestionably helped by the disturbed state of foreign affairs. Their staunch support of the League in the September crisis had rallied to their support a mass of moderate opinion which would normally distrust the Right for its tendency towards excessive nationalism and isolationism. The Opposition could claim no more than a greater fervour in the same cause of supporting the League. In foreign affairs, as at home, the Government appealed for an open mandate, in the name of the Prime Minister. And in such times Mr. Baldwin's is the type of personality to which men and women confidently turn. It must be recorded, however, that his reputation with the public whose critical votes had assured him his mandate received a sharp setback in the affair of the Hoare-Laval peace plan, which has been discussed in an earlier article in *THE ROUND TABLE*.*

The most serious blow to the Government at the general election was the defeat of Mr. Ramsay MacDonald at Seaham Harbour and of Mr. Malcolm MacDonald at Bassetlaw. Both were fighting difficult constituencies which with less courage they might have deserted for safer Government seats. Mr. Baldwin lost no time in paying tribute to their personal importance in his scheme of National Government by including them, despite their defeat, in his reconstructed Government. Mr. Malcolm MacDonald, indeed, received what was generally regarded as promotion when he and Mr. Thomas exchanged the Secretaryships of State for the Colonies and for the Dominions. Lord Halifax became Lord Privy Seal in the room of Lord Londonderry, and Mr. Duff Cooper, a new-comer to the Cabinet, replaced Lord Halifax as Secretary for War. Before the last election returns were out, Mr. Ramsay MacDonald was given an opportunity of standing again for Parliament by the death of one of the Conservative members for the Scottish Universities. He accepted an invitation to stand from the Conservative associations of all the four universities,

* See above, p. 278.

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but found himself opposed by a Scottish Nationalist who might otherwise have been described as an independent Conservative, as well as by a Labour candidate. His opponents made the most of his former vote in the House against university representation, his lack of university status, and the allegation that he was being foisted by London upon Scottish electors. Nevertheless, he gained the seat by a substantial clear majority over both his opponents. Meanwhile his son, still further north, was facing similar and even more strenuous trials in his efforts to make his way back to Parliament. When the Liberal National (or "Simonite") member for Ross and Cromarty resigned his seat, the local Liberal association invited Mr. Malcolm MacDonald to stand, but the Conservatives decided by a majority—in face of pressure from the central office, and of the Prime Minister's unequivocal support for Mr. MacDonald—to enlist Mr. Randolph Churchill as their candidate. The local Conservatives having thus rebelled against their central authority, the comedy was completed by a rebellion of the central Liberals against their local association; for the Scottish Liberal Federation insisted upon engineering the candidature of an Opposition Liberal. These manœuvres seemed to be mainly to the advantage of the fourth candidate, a Labour man.

In the upshot, however, Mr. MacDonald was elected with a majority of nearly 3,000 over his Labour opponent; Mr. Churchill, with 2,427 votes, came close to losing his deposit, and the Liberal was nowhere. The Government was thus fortified, not only by evidence of popular support, but also by the retention of a young Minister of whom much is expected.

The general public could not fail to regard the successive adoption of the MacDonalds as candidates by Conservative and Liberal associations as a move towards the unification of "National" parties. But that process, if it continues, must take a long time, since the Conservatives are determined not to lose their party identity even to the extent of modifying

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their name, and the general election results themselves showed the rather surprising vigour of separate "Liberal National" and "National Labour" forces.

On the other side of the House, the Liberals received a sad blow in the defeat of their leader, Sir Herbert Samuel, in whose place they elected Sir Archibald Sinclair. The Labour party had also the problem of party leadership to tackle. After Mr. Lansbury had resigned on account of his divergence from the majority on the sanctions issue,* Mr. Attlee was elected for the rest of the session, but the 150 per cent. increase in the Labour representation at Westminster brought about an entirely new situation, and some favoured Mr. Herbert Morrison, others Mr. Arthur Greenwood, as likely successors. In the outcome, Mr. Attlee was again chosen, a vote that indicates that the Labour party will keep to a central steady course, suspicious both of its "intellectual" wing and of the extremists of the Left. Mr. Attlee, though an energetic and successful House of Commons man, is hardly a figure to fire the imagination of the country.

When Parliament was opened on December 3, there were few surprises in the tally of proposed legislation recited in the King's Speech—the improvement and enlargement of our armed defences; the Bills for raising the school-leaving age, for unifying royalties in the coal-mines, for enforcing a "rationalisation" of the spinning trade in Lancashire, and for guaranteeing a loan of £26,000,000 for capital works on the main line railways; † the revised unemployment assistance regulations—still due, a year after the collapse of the regulations first applied under the new system; and the extension of unemployment insurance to agricultural workers. It is, in the mass, a progressive programme, with a distinct emphasis on social services. Certainly it is a very crowded list, and it will be

* See THE ROUND TABLE, No. 101, December 1935, p. 145.

† See THE ROUND TABLE, No. 100, September 1935, p. 798, and No. 101, December 1935, p. 151.

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small wonder if some measures have to be jettisoned for the time being.

The most important legislative measure that has yet been published in detail is the Education Bill, which is to raise the school-leaving age to fifteen. The cost is reckoned at £2,160,000 a year, of which £1,495,000 will fall on the national Exchequer, and the remainder on the rates. Probably the most controversial part of the Bill is the provision for exemptions from the rule when a child between 14 and 15 can obtain a certificate of "beneficial employment". Before deciding whether any employment is beneficial a local education authority must have regard to the prospective as well as to the immediate benefit to the child, and in particular must take into account

(1) The nature of the employment, the wages to be paid and the hours of work;

(2) The opportunities afforded to the child for further education;

(3) The time available to the child for recreation.

The authority may require undertakings from the employer on these points, violable on pain of a fine. The system of exemptions for beneficial employment represents a reversion to the practice of earlier periods in the progress of compulsory education, and is regarded by many social reformers as a retrograde step. Their main contention is that it will prevent the proper organisation of classes and curricula, and will mean that children in their last school year will be looking for jobs instead of concentrating on their school work.* Some say that 80 to 90 per cent. of the children will be exempt. But this is unlikely to be the only disputed element of the Bill; for the story of public education in this country is strewn with the bitter memories of struggles over the status and financing of "voluntary" schools, and over the question of religious instruction. Both of these issues are raised once more by the new Bill.

In the second reading debate on the Spindles Bill the

* See the *Manchester Guardian*, February 1, 1936.

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Government's apparently unassailable majority fell to only 23 on an amendment, which was supported by a number of Conservative members for industrial constituencies, to refer the Bill to a Select Committee. There is an active minority in Lancashire against the measure, and some members with an individualist outlook dislike its compulsory provisions. The Labour party's objections are based mainly on the immediate loss of employment that must accompany a reduction of spinning capacity; when Mr. Runciman claimed on behalf of the Bill that 28,000,000 spindles were in favour of the Bill compared with 11,000,000 against, a Labour member interjected "Spindles don't think or feel". Another new measure that may cause the Government some trouble is the Bill for the reorganisation of the beet-sugar industry. They have rejected the majority proposals of the Greene Committee* for the abolition of the subsidy, but have accepted the alternative plan for the compulsory amalgamation of the refining businesses and the supervision of the industry by an independent commission. Standard prices are to be fixed for beet, and the amount of subsidy will vary according to the world price of sugar and other factors, but for the present the annual cost is reckoned at £2,750,000. Incidentally, it was remarkable, after years of agitation by the Opposition, how small a part the Government's agricultural programme seems to have played in the general election. Not only was it overshadowed by unemployment and foreign affairs; food is not yet dear enough for "Dear Food" to be a rousing political cry. Moreover, Labour has to win country constituencies in order to secure a majority, and it has itself no clear alternative to the Government's protective and restrictive plans save the vague principle of the nationalisation of the land.

But it is not on such particular issues that the Opposition may be expected to spend the main force of their attack. In the debate on the Address, both the Labour and Liberal

* See THE ROUND TABLE, No. 99, June 1935, p. 575.

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spokesmen seized upon the absence of any mention of the unemployment problem in the speech put into the mouth of His Majesty. Their blade has been sharpened by the big rise in unemployment in January, seasonal as it undoubtedly was in the main; and the Opposition will lose no opportunity of tackling the Government on its policy for relieving unemployment and restoring the distressed areas.

The other main point of attack will certainly be the Government's rearmament plans. The Liberals have accepted in principle the need for better and more modern defences, in view of the potential threat from heavily armed military dictatorships; but they will seek to link up any defence proposals with policy for the betterment of international relations and the strengthening of the League, and to check anything that savours of isolationist imperialism. The position of the Labour party is rather obscure. The bulk of the party have decisively rejected pacifism in the more particular sense, and have recognised that support for the League of Nations requires a sufficient degree of armament to stand behind its collective decisions. But they are even more suspicious than the Liberals of an attempt to smuggle through, under an internationalist disguise, a selfish, nationalist and provocative armaments policy; and with the Liberals they will press for the suppression—or at least the rigid control—of the private manufacture of arms and munitions of war. If we are to judge from a singularly unilluminating article contributed to the party newspaper by Mr. Attlee,* they will demand that money appropriated for rearmament be spent exclusively on "defensive" weapons and measures. What these are, the Labour leader seemed uncertain; for he classed tanks with battleships and bombing aeroplanes as offensive weapons, yet he complained of a neglect of the Tank Corps, and in his penultimate paragraph admitted that, "until the scientists invent something that will frustrate the attacking aeroplane, there is no such thing as defence". The bare

* See the *Daily Herald*, February 5, 1936.

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truth is that amid the ruin of our post-war hopes of universal peace few of us, and official Labour least of all, have fully adjusted our ideas on armaments and international policy to the conditions of a world in which Germany is rearmed, Japan and Italy have torn up their pacific engagements, and the coercive side of the League Covenant has been dangerously brought into play.

II. THE COAL SETTLEMENT

LABOUR, quiescent or on the defensive during the depression, is now showing signs of response to the improvement in trade. The membership of the trade unions is once again increasing. Movements for higher wages are developing, mainly among the depressed, or lately depressed, industries. The coal-mining dispute was settled on terms favourable to the men. The shipbuilding employers have promised an early increase. The engineering unions, encouraged by the reduction of unemployment to a low level in most branches of their industry, are asking for a wages advance. Seamen's wages are under discussion. The Yorkshire woollen and worsted workers are trying to get a common standard of wages and hours re-established; the industry is enjoying something like a boom, but its labour conditions are chaotic and largely unregulated by collective bargaining. The railway unions are pressing for the final restoration of what they lost in wages and working conditions in 1931; the financial results of the companies are not altogether favourable to the men's claim and the controversy promises to be prolonged. Too much need not be made of the unofficial strike of workers in the Smithfield meat market, which for a few days in February threatened London's supplies, but it was symptomatic of a rising tide of confidence on the labour side.

The settlement of the coal-mining dispute was a considerable achievement. It was the first great coal dispute

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since the war to be settled without the active intervention of the state. For this the national emotion with which the last weeks of January were charged was in some degree responsible. This, it was felt, was no time in which to badger the Government or threaten a stoppage of industry. But the settlement was not a mere compromise of expediency; it came close to the aims of the more far-sighted of the miners' leaders. They started their campaign with two objects—first, to persuade the Government and the owners to reorganise the industry in order to increase its wage-paying capacity, and, secondly, to secure an immediate advance in wages, if possible on a national scale. The Government helped them with the first aim, in pressing the owners to adopt central selling schemes by July 1 next, and, by pledging itself to introduce a measure for the nationalisation of mining royalties, gave an earnest of its intention to promote further reforms. But regarding the immediate increase of wages the Government refused to intervene, as the men desired, with the grant of a subsidy. Miners and owners were thrown back on themselves, or, rather, on the public. December and early January saw a quite remarkable agitation, probably without parallel in this country, for securing voluntary offers of higher prices from those coal consumers—the majority of commercial and industrial users—who were protected by forward contracts. The owners said frankly that they had no money and that if the public wanted to avoid a strike and raise the admittedly inadequate wages of the men they must pay. The consumers' response was generous, and not merely from prudential motives; the country was moved by the miners' case and by the moderation with which it was stated.

The upshot was that with the increase in the price of household coal, and the voluntary increase (usually of a shilling a ton) accepted by most commercial and industrial users (the railways and cotton mills being the principal dissenting parties), an added revenue of the order of

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£6,500,000 to £7,000,000 a year was promised from inland sales of coal. For export coal no improvement in prices was counted on. On this basis the owners in each district made an offer of an immediate increase of wages. The offers ranged from 1s. a day in the Midlands, Yorkshire, Lancashire, and North Wales, to 9d in Scotland, 6d in Durham and Northumberland, and from 2½d to 5d in South Wales. Even in the more prosperous coalfields this was only half of the flat rate increase of 2s. a day that the men had asked for; in the exporting districts, where wages are lowest, the offers gave no satisfaction. The men's first reactions were hostile, and there was every appearance, until the death of the King, that the districts would once again take matters into their own hands and insist that the strike notices (which the Executive had postponed) should come into effect.

The owners' final terms, however, contained an important further concession. They undertook that a National Joint Standing Consultative Committee should be set up for the consideration of all questions of common interest and general application to the industry, not excluding general principles applicable to the determination of wages by district agreements.

In spite of the vagueness of the terms of reference this is an important concession. The stoppage of 1926 ended with the denial of national negotiations and of the recognition of the Mineworkers' Federation as a body for the discussion of wages. The principle of the district determination of wages still remains, but the owners have agreed that the district agreements should be brought under national review. There are, for example, numerous divergences in local practice which the owners, no less than the miners, would like to see brought under a common policy. Moreover, as Mr. Joseph Jones, the miners' president, put it in his comments on the terms,

in our view, every development within the industry in recent years provides a powerful reason for adopting a national as

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opposed to a district conception of the industry's problems, and we are delighted to think that the coalowners are at last showing signs of appreciating our point of view.

The miners' delegate conference on January 24 therefore accepted the terms as "an instalment of the further improvements which will be rendered possible by the proposed selling schemes." South Wales, Northumberland and Cumberland opposed, and Scotland was neutral. The districts have since ratified the terms, though without enthusiasm.

It is only an interim settlement; but, if the new joint machinery is not overstrained, if the owners set up efficient sales schemes, with proper national co-ordination, the conditions should soon be ripe for the long-term settlement for which the miners' president has appealed. The public, having made the settlement possible, will now be the more inclined to keep a watchful eye on the industry, and will hold the Government responsible for seeing that the continuing abuses under Part I of the Coal Mines Act, 1930, are removed, and that structural reorganisation and the concentration of production are hastened.

CANADA

I. CANADA AND THE INTERNATIONAL CRISIS

BEFORE the League of Nations was established, Canadians who gave any thought to the question of national security naturally looked, first, to our membership in the British Commonwealth, but at the same time they regarded as a very important "second string" to our bow our geographical position on the North American continent as a neighbour of the United States. Thus, when Canada became a member of the League, the question to which most attention was given was what effect this new affiliation was likely to have on our relations with Great Britain and the rest of the Commonwealth, on the one hand, and with the United States on the other. The country was rather happily situated, such was the feeling, under the former dispensation, conditioned by those two relationships. Was there a danger that the new relationship might prove at once incompatible with the two older ones, and less effective? This is still the point of view from which Canadians approach questions involving international action through the League.

In order to understand Canadian opinion with regard to the international crisis of these last months, it is necessary to go back at least to the Manchurian episode of 1931. Up to that time, the Canadian attitude to the project of a collective defence system under the League might be described as one of fugitive benevolence. As in most countries, the strongest and most universal feeling all through the 'twenties was the desire to have no more war, to which end the collective system seemed the best available means. But there was no general interest in, or discussion

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of, the question how the world was to be organised for peace, or the implications for Canada of the collective defence system. Most people allowed the wish to be father to the thought, that Canada would be no more likely to be called upon to back up her adherence to League principles by participating in the application of military sanctions than the ordinary citizen is likely to be called on to rally to the support of the police in maintaining law and order.

To a community harbouring such vaguely benevolent and naïve notions, the apparently easy and complete triumph of an aggressor in Manchuria in 1931 came with somewhat of a shock. Those who had always decried the League as incapable, in the nature of things, of checking a great Power saw their view confirmed. Those who believed in the collective security system, on the other hand, saw that another such failure as that in the Far East would mean the end of the League; but, in the absence of a clear lead from the great Powers of the League and of the support of the United States, they felt that there was nothing a country like Canada could do. The party leaders, almost to a man, maintained an inscrutable silence, and the country relapsed into a state of comparative indifference, from which not even the suggestion that Canada might well be the Belgium of a war between Japan and America could avail to rouse it.

Partly as a result of the Manchurian fiasco, the question began to be asked whether the great Powers in general and Great Britain in particular were really taking the League seriously, really thinking in terms of the principles of the Covenant as a whole, including an attempt to remove the causes of war, or were simply regarding it as an instrument for maintaining the *status quo*, especially in Europe. The dissatisfaction with the uncertainty of the position and the absence of any clear lead from Westminster found expression in the proposal of Senator McRae, a leading Conservative, that Canada should withdraw from the

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League, and in a vigorous arraignment of the League, as at once impotent and dangerous, by an influential Liberal newspaper, the *Toronto Globe*, which, though a strong believer in the Commonwealth, has never shown itself incapable of thinking in wider terms. These voices of disillusionment—for that is what they were—did not, however, strike any particularly responsive chord, not because the majority of Canadians thought they were wrong, but because the majority of Canadians did not think about the problem at all. The few who did try to look ahead, taking as their starting point the proposition that world peace was the be-all and end-all of the country's foreign policy, began to ask themselves whether Canada could best make its contribution to that cause as part of a Commonwealth whose predominant partner did not seem to have made up its mind upon its attitude to the League, or independently. There were those who advocated working independently in any event, while even those who urged close co-operation with the other Commonwealth countries postulated an assurance that the policy of the Commonwealth should be unequivocally pro-League in the full sense.

From what has been said, it will easily be understood why there was serious concern and disquietude during the first months of last year, particularly among the strongest believers in Commonwealth co-operation. Even to them, it began to look as though the problem created by Italy's predatory policy in Ethiopia was to be solved in terms of the old diplomatic barter instead of the treatment of an obvious aggressor in accordance with the principles of the Covenant. The isolationists, who had always deprecated Commonwealth co-operation, naturally saw their view confirmed. When, however, the United Kingdom Government declared its intention of giving full support to the League and proceeded to take the lead in declaring the aggressor and arranging for the application of financial and economic sanctions against him, doubts about Great Britain's single-mindedness tended to disappear. Canada's

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course then seemed, at least to the majority of the English-speaking population, to be clearly marked out for her, namely, to join with the other Commonwealth countries in following the strong clear lead that had been given.

For a not unimportant section of opinion, which believes in the Empire but not in the League, this was no doubt due to the fact that the League was, in this instance, proving a useful ally to the Empire. Even the *Toronto Globe*, which had been consistently denouncing the League on general principles, suddenly found virtue in a League that supported the Empire. Another section of opinion, the anti-imperialist, naturally saw in Great Britain's firm stand against Italian aggression in Ethiopia simply another phase of the imperialist scramble for territory. Great Britain was obviously intervening, it was said, not in order to vindicate the principles of the Covenant, but simply because her own interests in Egypt and the Mediterranean and the Far East were, or might be, adversely affected. Still a third group should be mentioned, comprising most French-speaking Canadians and not a few English-speaking, which clearly became alarmed when Sir Samuel Hoare's speech in September was followed by the naval demonstration in the Mediterranean in October. The French-Canadian point of view may be described as isolationist-imperialist; French Canadians believe in the Empire and want to see it strong, but they are fearful of, and for the most part do not see the need of, any outside commitments, through the League or otherwise, which may involve Canada in war. The alarm of the English-speaking isolationists, on the other hand, follows naturally from their view that Canada's proper course is to accept the implications of her geographical and economic position, and to move more and more, so far as international relations are concerned, into the orbit of the United States.

While these various divergent views were undoubtedly held by considerable numbers of people, the Government was certainly right in its judgment that the country

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was predominantly in favour of joining with the other States members of the League in applying financial and economic sanctions.

It is true that the question of participation in military sanctions, if they should become necessary, was not faced. The political leaders, with an election on their hands, declared that that question was one for the new Parliament, and the country at large may be said to have been "not ready for the question." But it was luminously clear that the uncertainty and hesitancy about the country's relation to the League, whether independently or as a member of the Commonwealth, had been largely swept away; the English-speaking press, with unimportant exceptions, vigorously approved of the support given to Great Britain by the Canadian spokesmen at Geneva. Thus, too, there was widespread approval for the proposal made on November 2 by a Canadian representative that oil, coal by-products, iron and steel should be added to the list of prohibited articles, though doubts were entertained in some quarters whether such a proposal should not have come from one of the great Powers rather than from a minor State; and, it must be added, there were many, not merely in Quebec, who strongly disapproved of Canada's doing anything that might result in her being involved in war. Broadly speaking, then, in September, October and November opinion formed and moved rapidly, and for the most part in one direction—towards the view that Canada's place was with the other Commonwealth countries, supporting Great Britain in the lead she was giving to the League as a whole.

This view of the situation may be said to have been borne out by the way in which the country received the Canadian Government's denial that its representative had been authorised to propose the addition of oil and other raw materials to the list of "sanction" commodities. While the repudiation was undoubtedly approved by French Canada and by the isolationist "continental" school of thought generally, as marking a determination to preserve

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freedom of action if financial and economic sanctions should lead to war, equally clearly there was widespread approval of the view taken by most of the leading English-speaking newspapers, like the *Toronto Globe* and the *Winnipeg Free Press*, which deplored what they regarded as a weakening of the hands of the League at a critical time. It was to be noted, too, that, however opinion might be divided on the wisdom of Canada's taking the initiative in proposing an intensification of the sanctions programme, there was practically no protest against participating in the measures that had already been adopted. The clear, firm lead given by Great Britain had made the majority of Canadians feel practically for the first time since the establishment of the League that the collective security system might be made effective and that Canada's duty was to assist in making it so.

To this new-found clearness of outlook the news of the Hoare-Laval proposals naturally came as a rude shock. While knowledge was lacking of the considerations involved, the country was naturally mystified by the contrast between the action of December and the professions of September; and in the interval before the British public demanded the repudiation of the proposals all the old doubts about Canada's relation to the League, both individually and as a member of the Commonwealth, were revived. To-day, presumably, Canadian public opinion is back where it was before the Hoare-Laval proposals, with this exception, that there is a greater realisation of the seriousness of the situation and of the responsibilities involved in membership of the League.

If, however, it is asked whether Canada is now ready for the question, "Will you, if the policy of sanctions leads to war, carry your support of the League to the point of participating in armed action?", the reply must be in the negative. The following summing up of the situation by *Saturday Night*, a Toronto independent Conservative weekly, in its issue of December 14, is both detached and accurate :

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It is not very helpful for Toronto newspapers whose party has at the moment no responsibility for Canada's external policy to protest earnestly that "League countries must be prepared to enforce their rulings with whatever measures are necessary, must be prepared to meet attacks from the nation that has broken its pledges, or else the League becomes nothing more than a meaningless name". The uninformed reader might suppose from this that the party which these newspapers support was committed to a policy of enforcing the rulings of the League "with whatever measures are necessary". But no party in Canada is on record to any such effect. No party in Canada has accepted the principle that Canada must be "prepared to meet attacks" from recalcitrant nations--unless meeting an attack includes yielding to it without resistance. The limitation of Canada's obligations to economic measures alone, the careful exclusion of all military commitments, is a policy common to all the great Canadian political parties, and one which we imagine will continue to be common to all the parties so long as Canadian public opinion remains what it now is. Mr. Meighen, who is cited in some of these articles as an example of the proper heroic attitude for Canadians to take in the present situation, is so far from being an advocate of the acceptance of any military commitment by a Canadian Government that he once enunciated a proposal forbidding even Parliament to declare war without first securing the sanction of the electors in a plebiscite. Mr. Bennett's attitude on the subject of Canada's obligation as a League country to enforce the rulings of the League "with whatever measures are necessary" is exactly the same as Mr. King's.

If Canada is not "ready for the question" to-day, when, it may well be asked, will she be ready? The only answer that suggests itself is "When the actual need for armed action by the League arises". This, no doubt, is anything but satisfactory from the standpoint of a country that is likely to be the first to be attacked by the aggressor against whom sanctions are being applied. In the same way it was most unsatisfactory, not to use a stronger word, for France in 1914 not to be able to get a definite promise from Great Britain that she would come to France's support if Germany attacked. If it was impossible on that occasion for Great Britain, only twenty-one miles away, to promise in advance, is it not natural that Canada, nearly three thousand miles away, should find it difficult? That, in any event, appears to be the situation; the country has

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not got beyond the point of saying : " We agree to fulfil our obligations under the Covenant so far as financial and economic sanctions are concerned, and, if these do not prove sufficient, we will join with our fellow members in examining what further steps should be taken." Which, incidentally, is exactly what the other fifty odd " sanction " members are saying. It may appear rather a " limited liability " attitude to adopt, but there is this, at least, to be said, that the decision to persevere in the application of non-military sanctions has been taken in spite of a clearer realisation than ever before of the grave risks involved.

The fact that the country has reached this point without any serious protest from the not inconsiderable number of people, not confined to Quebec, who think that Canada should adopt an isolationist, North American policy, and follow the United States rather than work with the Commonwealth and the League, strongly suggests that there will be no going back on the policy of supporting the League.

While the League of Nations Society cannot be said by any means to be thoroughly representative of Canadian opinion, its resolution passed in November, endorsing " the action of the Canadian Government in agreeing to co-operate in the imposition of economic and financial sanctions in order to restore peace in the present crisis," is not without significance. The longer the League policy is persevered in, the more unlikely it obviously is that those who take the isolationist, continental view will be able to persuade the country to abandon it; for in addition to all the other reasons against such a course there will be the moral obligation not to desert fellow members at the very moment when the risks that all have assumed in common have materialised. This, of course, will depend on whether those same fellow members, and particularly Great Britain, remain loyal to the League policy. Any sign of weakening in support of the League on the part of Great Britain would have immediate and far-reaching

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repercussions in Canada. Thus Mr. J. W. Dafoe, our foremost journalist, quotes with approval, in the January 8 issue of the *Winnipeg Free Press*, the view expressed in a letter to *The Times* from Professor W. K. Hancock, written following the Hoare-Laval episode :

The true view of the British Commonwealth to-day is something like Burke's view of party. The Commonwealth is a body of nations united under a common head in support of a principle. Unity in foreign policy must be won by the consent of all members of the Commonwealth to a common policy; it can no longer be imposed by decisions taken in London. The separate decisions taken in London, Dublin, Ottawa, Canberra, Wellington, Pretoria, will harmonise only if they are taken in accordance with an agreed code of principle and procedure. If through lack of courage or a short-sighted view of her interests Great Britain allows herself to be forced from the solid ground of principle on to the shifting ground of diplomatic barter, it will be difficult for the free communities associated with her under the Crown to understand and follow her manœuvres. Anybody who knows public opinion in any one of the Dominions must be intensely aware of this. The enlightened self-interest of the British Commonwealth demands a loyalty to the League which may be prudent, but which must be unambiguous.

Mr. Dafoe continues :

What Prof. Hancock is saying in this guarded language is that if Great Britain embarks on "diplomatic manœuvres" involving the repudiation of League principles, it will be difficult—very difficult we would say—for the Dominions to follow her. If the jingoes, die-hards and isolationists of Great Britain could get through their thick heads the thought that the destruction of the League will make the continuance of the Commonwealth on its present basis difficult, and perhaps impossible, they might change their minds. The idea, which largely explains their hostility to the League, that with the disappearance of the League an armed and centralised empire will spring into being, has no relation with actuality; it is nothing but a dream.

Without following Mr. Dafoe into the realm of prophecy, this at least may be said of the present situation, that support of the League appears to be not merely the policy most likely to unite the various divergent elements in Canadian public opinion, but the only policy that will begin to do so.

CANADIAN-AMERICAN TRADE AGREEMENT

II. THE CANADIAN-AMERICAN TRADE AGREEMENT

THE history of Canadian-American trade relations has been marked by paradox and curious contradictions. Here are two countries with closely related economies, which, in spite of many superficial irritations, have consistently improved their mutual understanding and yet have almost continuously been raising tariffs and other trade barriers between themselves. For seventy years, with occasional interruptions, there have been increasing tariffs and yet increasing trade, both absolutely and relatively. In both countries, there have been from time to time strong movements for reciprocal or negotiated tariffs, but these movements have always just missed each other.

The first, unsuccessful attempt to negotiate a reciprocal trading agreement occurred about 1650, when New England traders tried to secure access to the St. Lawrence valley by sea. During the eighteenth century, in spite of difficulties of transport and legal prohibitions, an active smuggling trade existed between New York, Albany and French Canada. In the nineteenth century, as soon as the first St. Lawrence canal system was opened, a large trade developed through the processing, in the Montreal-Quebec area, of American raw materials, particularly wheat, which thus acquired a Canadian nationality and the right to preferential entry into the British market. The repeal of the Corn Laws, the establishment of free trade and the consequent disappearance of preference on Canadian flour in the British market destroyed the *raison d'être* of this trade and produced financial desolation in Montreal. One result of these events was the drive for reciprocity with the United States, a drive that came to a successful conclusion in the treaty of 1854. "This treaty, after lasting twelve years, was denounced by the United States and passed into history in 1866. From that time on there occurred a succession of unsuccessful "pilgrimages to Washington,"

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but when at last in 1910 American policy changed and the agreement of 1911 was drawn up, it met a flood-tide of Canadian nationalism and was defeated by the country that for forty years had been seeking just such an arrangement.

The decade of the 1920's saw a renewal of higher tariffs in the United States, first the Fordney-McCumber tariffs of 1921 and 1922 and then the Hawley-Smoot tariff of 1930. Both of these upward revisions applied particularly to agricultural products and raw materials. The American manufacturer had long been highly protected. The post-war depression hit the American farmer with great severity, and largely increased tariffs were the remedy administered. The 1922 tariff affected especially cattle, fish, fruits, cheese and vegetables. Many market gardeners thriving on the Canadian side of Lake Erie were summarily bankrupted. The 1930 revision was even more drastic, the rates on cattle, milk, cream, potatoes and many other items being increased by upwards of 50 per cent., in some cases by 200 per cent. A considerable list of goods, especially in the lumber schedules, that formerly entered free were made dutiable. Many of the Hawley-Smoot duties were entirely prohibitive and wiped out large and valuable lines of trade.

The sharp increases in the Canadian tariff in 1930 and 1931 were to a considerable extent retaliatory. These increases were reinforced by a wide extension and a free use of the powers of administrative protection (*e.g.*, fixing special valuations for duty purposes by ministerial decree, with the consequent imposition of very heavy dumping duties). These tariff increases were the first in Canadian history that really seriously injured the American export trade to Canada. A trade valued at \$868,000,000 in 1929 had fallen to \$235,000,000 in 1934. In 1929 the United States supplied 69 per cent. of Canada's imports, in 1934 only 55 per cent. On the other hand, Canadian exports of agricultural and animal products to the United States,

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which had totalled nearly \$150,000,000 in 1929, fell to \$17,000,000 by 1933. In 1929 the United States was taking 18 per cent. of Canada's exports of these classes, in 1933 only 6.9 per cent.

As the depression deepened and the strain in the Canadian West neared the point of collapse, the problem of markets became one of paramount urgency. The Ottawa agreements provided a stay of execution rather than a real release. It was natural, therefore, that the Canadian Government should have been among the first to open conversations in Washington as soon as the Reciprocal Trade Agreements Act became law. The Act empowered the President to reduce existing duties by not more than 50 per cent., but forbade him to put any dutiable article on the free list.

The course of negotiations was not smooth, especially for the United States. Canada naturally wanted freer entry for the products of her depressed primary-producing areas, and in return could offer concessions chiefly in manufactured goods, sub-tropical fruits and early vegetables. But the Government at Washington was engaged in a gigantic and highly complex programme of controlling the production and raising the prices of just the kinds of goods on which Canada wanted concessions. Moreover, Washington had hopelessly alienated the political affections of the manufacturers who might benefit by the Canadian concessions, and had placed large reliance on the agricultural vote, which would thus be jeopardised.

The technical side of the negotiations had been carried on steadily from the autumn of 1934 to the late summer of 1935 and was practically completed before the Canadian general election in October. The obstacles to final drafting lay in Washington and not in Ottawa. Apart from its own political indecision, Washington clearly preferred to sign an agreement with a Government fresh from the polls, rather than with one just at the end of its legal tenure of life. Much the same agreement might possibly have been

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signed at much the same time if Mr. Bennett had won the October election. It was also desirable to keep the details of the agreement out of the dust of the electoral arena. As it was, both the major parties were committed in principle to an American trade agreement. Had the discussion been centred on a complicated schedule of particular tariff changes, the public debate would have produced much more heat than light, and political leaders might have been manœuvred into unfortunate uncompromising positions on particular details. While, however, the clear-cut Liberal victory enabled Washington to negotiate with confidence, it did nothing to change the internal balance of political forces in the United States. Close American observers were quite as surprised as Canadians at the change in the attitude of the American Government during the last week in October and the first week of November, and at the speed with which the agreement was finally signed. This rapid consummation must be regarded in large measure as a personal triumph for Mr. Mackenzie King in obtaining the President's active and keen support for a trade agreement.

The principal clauses in the agreement signed on November 15, 1935, can be summarised briefly. Let us see first what Canada gets.

1. Reduced rates of duty on 63 items. On 27 items, including lumber and timber, dairy cows, halibut, smoked herring, whisky, pulpwood, oats for feed, and grass and fodder seeds, the reduction is the maximum of 50 per cent. permitted to the President. Other reductions of from 20 to 49 per cent. of the existing rates include important chemicals, cattle, horses, poultry, cheese, cream, fish, apples, seed potatoes, lime and hay. In general, the rates are cut to approximately 1929 levels, *i.e.* pre-Hawley-Smoot tariff.

2. On four items the present rate of 10 per cent. is to be continued, and 21 important items are guaranteed free entry during the life of the agreement. Included in this free list are agricultural implements, asbestos, furs, woodpulp, newsprint, gypsum, shingles, lobsters, logs and posts.

3. On a few items the United States applies, or reserves the right to apply, quotas to the Canadian imports at the new rates of

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duty. These are Douglas fir and Western hemlock (250,000,000 feet), cattle (228,000 head), seed potatoes (750,000 bushels), cream (1,500,000 gallons) and shingles (25 per cent. of United States domestic shipments in the previous six months). The lumber quota represents about 50 per cent. of 1929 exports, the cattle quota 90 per cent., and the quota on cream about 63 per cent. In 1935 our fir and hemlock exports to the United States were less than 4,000,000 feet, and cattle exports only 27,000 head, while cream exports had entirely ceased.

4. The total volume of Canadian exports to the United States was \$503,000,000 in 1929 and \$227,000,000 in 1934. The agreement lowers tariffs on items that in 1929 amounted to \$80,000,000 and in 1934 to \$30,000,000, and guarantees the continuance of free entry to exports that amounted to \$229,000,000 in 1929 and \$118,000,000 in 1934.

5. Canada receives from the United States unconditional most-favoured-nation treatment (excepting Cuba).

6. Finally, by entering into a trade agreement with the United States Canada escapes the 50 per cent. surtax penalty which under the American law was mandatory against countries discriminating against United States trade. The United States Government had declared that the existence of a three-column tariff and a refusal to enter into mutual unconditional most-favoured-nation relations was *ipso facto* discrimination.

These concessions to Canada are undoubtedly of great value. Canada would have liked more, especially on fish (cod is not included in the reductions), lumber, and dairy products (milk and butter get no reductions), and in the size of the quotas. But she has obtained substantial relief for the western lumber and cattlemen, for the maritime fishermen and farmers, for the Ontario and Quebec mixed farmers, and also on a number of small but fairly important mineral and chemical items.

What does Canada give in return?

1. First, unconditional most-favoured-nation treatment (excepting the British preferential tariff). This automatically extends the whole intermediate tariff to the United States in place of the general tariff. In many cases the general and intermediate rates are the same. On the great majority of items the difference is 2½ per cent. Only in a few items is the difference more than 5 per cent. The more important of these are certain types of textile yarns, clothing, jewellery, machinery and the more expensive kinds of motor cars.

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2. Canada also grants a number of special reductions below present intermediate rates. The most important are on oranges, fruits and vegetables, farm implements, magazines and most types of machinery.

3. The Canadian Government undertakes to invite Parliament to enact legislation permitting *bona fide* returning Canadian tourists to bring in free of duty incidental purchases up to a value of \$100 under conditions similar to those applying to returning American tourists.

4. Finally, and perhaps most important of all, the Canadian Government undertakes at the next session of Parliament to propose amendments to the Customs Act with a view to eliminating arbitrary executive interference with the normal course of trade. Specifically, Canada agrees to cancel forthwith the special customs valuation orders on 20 items, to limit future seasonal valuations on certain fresh fruits and vegetables to 80 per cent. of the lowest seasonal advance in valuation proclaimed during the years 1933 to 1935, to give adequate notice of future changes in rulings, classifications and valuations, and to permit appeal to the Tariff Board by interested parties against such orders. Canada has not entirely surrendered the right to use "administrative protection". For example, if a foreign exchange situation arises in which she feels it necessary to apply compensating duties against American imports, the matter must be one for negotiation, but if no arrangement satisfactory to Canada can be reached after thirty days, she has the right to terminate the agreement in its entirety.

There is some complaint that, since the general tariff has always been drafted with an eye to American competition and the intermediate in the light of European competition, the automatic extension of the intermediate tariff to the United States will produce serious inequalities. While a general raising of intermediate rates is clearly contrary to the whole spirit of the agreement, Canada will probably make a few minor upward adjustments of intermediate rates during the next year. The abolition of the duty on periodicals and magazines has aroused the most vociferous protests, but it must be remembered that those affected are in a good position to publicise their protests. This duty was first imposed in 1930. The Canadian circulation of many American magazines was curtailed, but a large number of the least desirable sort maintained

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or increased their Canadian circulation by printing editions in Canada. In many cases the lower duties on manufactured goods will not materially affect the volume of imports, since such goods are often made in Canada by American branch plants. The Canadian consumer should benefit, however, through somewhat lower prices.

The agreement runs for three years and continues thereafter subject to six months' notice by either country. There is provision for abrogation within a 75-day period in the unlikely event of unsettled disputes over any future quota, exchange restriction or similar policies.

It is impossible to estimate in any detailed way the effects of so complicated a change in tariffs. Broadly speaking, the tariff reductions are genuine and fairly extensive, and reduce the general levels of the two tariffs to more or less the levels of 1929. Much depends on the spirit in which the tariffs are administered. Hitherto the administrative staffs on both sides of the border seem to have been animated by the idea that imports *per se* are evil and that the way of the importer ought to be made as hard and as inconvenient as possible. In the winter of 1931-32, for instance, it became profitable to sell Canadian canned tomatoes in the United States in spite of the high duties; but after one car-load had entered subsequent shipments were held up at the border for many weeks while the officials enquired whether or not the goods complied with pure food Acts, marking and labelling Acts, and half a dozen other Acts, until railway, warehousing and other charges had turned a small prospective profit into an almost complete loss. Lowering duties will not avail much if the spirit that produces such official obstruction remains.

The Canadian-American trade agreement impairs neither the letter nor the spirit of the Ottawa agreements, though it must have certain effects on Empire trade. Any benefits extended to the United States, not already conceded to Empire countries, will of course immediately be extended to them. Free entry for American oranges during the

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most important months of the year will doubtless curtail the growing imports from South Africa and Palestine. Lower duties on industrial machinery are not likely to effect any diversion of trade. The lowering of American lumber duties will doubtless moderate the urgency of the political pressure that has been exerted by Canadian lumber interests in London to secure the limitation of Russian lumber shipments to the United Kingdom. The increased market for cream in the United States will diminish our dislike of New Zealand butter.

In conclusion two points of major significance may be noted. First, this agreement introduces for the first time the principle of unconditional most-favoured-nation treatment between Canada and the United States. Secondly, it is the most important major break in the post-war movement of steadily rising tariffs the world over. Canada may well hope that it will mark the turn of the tide.

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I. THE LEAGUE AND SANCTIONS

AUSTRALIA has kept in step with the rest of the British Commonwealth and the League in the imposition of economic sanctions against Italy. Proposed without any clear conviction that it would achieve any useful object, and opposed with heat but without effective alternative, the Sanctions Act 1935 became law on November 15—a brief and matter-of-fact measure, entitled baldly “An Act relating to the application of Sanctions against Italy.” The Act makes provision, in one way or another, for implementing the four October proposals of the Sanctions Co-ordination Committee.* Earlier in 1935, the Government had taken power to prohibit the export of arms save under licence from the Minister, and by administrative instructions on October 17, before the Bill was introduced, it had already taken steps to prevent the export of arms to Italy. By November 18, the date fixed at Geneva, all the proposals were in operation in Australia.

The effect on Australian business is not likely to be considerable, apart of course from any retaliatory measures that may be taken by the Italian Government. Other markets can readily enough supply most of Australia's imports from Italy, averaging about £500,000 a year, and including chiefly such things as silk goods, hats, marble, sulphur, and edible nuts. Exports from Australia to Italy are more considerable. They have been much smaller since the depression, but have amounted recently to about £3 million—chiefly wheat, wool, meat, copra and zinc. No important item appears yet to have been included in the

* See THE ROUND TABLE, No. 101, December 1935, p. 5.

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prohibited list. How much of the non-prohibited trade will be retained is perhaps another question. But in any event Australia does not face grave economic dislocation as the inevitable result of imposing the sanctions so far agreed upon. Parliament could well afford to debate the Sanctions Bill, and did in fact debate it, on general grounds.

Not for many years has the House of Representatives had so full a discussion of international affairs. Indeed there has been discussion on the Italo-Abyssinian dispute and its implications ever since the end of September; for the session opened with a statement of policy by the Prime Minister, whereupon Mr. Beasley, the leader of the "Lang" Labour party in the House of Representatives, had moved by way of amendment that the House should formally declare Australia's neutrality in any war that might arise from the Italian designs in East Africa.*

Mr. Beasley's amendment was not negatived till October 11, when hostilities had already commenced and the Sanctions Co-ordination Committee was already at work. Voting took place strictly on party lines, Mr. Curtin (Mr. Scullin's successor) leading the "Federal" Labour party into the lobbies with Mr. Beasley's party. The debate was interesting as disclosing the view of inter-imperial relations at present held by some of the Labour leaders. The view of the Government was put by the Attorney-General (Mr. Menzies), with his customary lucidity. He contended that neither the Balfour declaration nor even the Statute of Westminster had set aside that common allegiance to one indivisible Crown which is the fundamental legal bond of Empire. From that legal unity he drew the familiar conclusion that if the King is at war all his subjects are at war, and accordingly that a Dominion which declares itself neutral in a war to which the British Crown is a party *ipso facto* repudiates its allegiance. In this view, such a declaration of neutrality is tantamount to secession. Mr. Menzies went on, of course, to admit that, though a

* See THE ROUND TABLE, No. 101, December 1935, p. 178.

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Dominion could not as such remain technically neutral in the King's war, the extent of its actual participation in the war was a matter for its own determination. He set the policy of neutrality over against the policy of non-participation, seeing "an enormous gulf" between them. But that distinction was entirely lost on the Opposition—not so much because they did not understand it as because they proceeded from a view of inter-imperial relations that did not require them to draw it.

Mr. Frank Brennan, for instance, who as Mr. Scullin's Attorney-General had attended the Imperial Conference of 1930, expressed a view which is orthodox in the Irish Free State, and in some quarters at least in South Africa too. The fundamental fact, he said, is that a Dominion has now become "a nation, competent to speak for itself upon all questions whatsoever: among others, to declare war or peace". The fact that "the King who is King of Australia, and is advised by Australian Ministers, is also King of Great Britain and of the other Dominions" is accidental, not essential. The Crown is not one, but several. No doubt it was of non-participation rather than of neutrality in the strict sense that Mr. Brennan was thinking in this particular instance, and between non-participation (or "passive belligerency") and actual neutrality the difference may seem rather academic. It is doubtful whether the description of the British Commonwealth of Nations by several Labour leaders in terms of a mere "personal union" represents any very widely held or clearly thought-out view, either in Australia generally or even in Australian Labour itself. But it is worth noting that the Labour leaders did adopt, on this occasion, the newest constitutional doctrines of what in Australia we are accustomed to regard as the "advanced" Dominions.

It was upon the basis of these discussions that the House proceeded to the debate on sanctions. The Bill was admirably introduced by the Attorney-General, who represents in the House of Representatives the Minister

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for External Affairs (Senator Sir George Pearce). The Government has rested its case throughout on two simple principles—support of the British Government and support of collective security. It was upon the latter that Mr. Menzies concentrated.

The policy of the Government of the Commonwealth is one of encouraging and strengthening the notion that the interests alike of civilisation and of good sense require that the business of preserving the world's peace should cease to be nobody's business and should become, if not everybody's business, at least the business of all those nations who exercise any substantial degree of authority or influence.

It was of the essence of the Government policy that sanctions should be genuinely collective. Hence the Act contains a special provision enabling the Governor-General to suspend the financial sanctions at any time. Hence also the Governor-General is empowered to terminate the whole Act if in his opinion the necessity for its continuance no longer exists. These safeguards would enable the Government to take immediate action if events occurred that deprived the sanctions of their "collective and effective character". "Confronted by a choice between supporting the League, and thus doing something for the future collective security of the world, and rejecting the League, with all the grievous implications of such a step", the Government was determined to implement its obligations under the Covenant.

Critics in Australia, as elsewhere, were not slow to point out that the Geneva proposals were far less comprehensive than the plain words of Article 16 of the Covenant. Mr. Menzies met this point by explaining with some care the relation between the terms of Article 16 and the League's resolutions of 1921. He summed up as follows :

The procedure of the League of Nations during the last three weeks has been based upon these resolutions, which, as I have said, represent an attempt to give a fully workable character to the provisions of the Covenant. I may, perhaps, be pardoned if I pause to emphasise two points. The first is that the members

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of the League have, without destroying the absolute nature of the obligation to impose sanctions, provided for a means of co-ordination which can, as in the present case, lead to the imposition of special or modified sanctions. The second is that a blockade, stated somewhat baldly in Article 16, is accurately treated as the kind of sanction which can be invoked only by special circumstances. . . .

The Sanctions Co-ordination Committee is not an instrument of the Council or of the Assembly, but is in substance a conference of League members to assist them in carrying out their obligations under Article 16. Its decisions are in a sense recommendations to governments and therefore the rules as to unanimity do not apply. It would be a mistake, however, to assume that because this committee is merely making recommendations its decisions may at will be ignored by Australia. What it is doing is to make recommendations to us as to when and how and in relation to what specific matters our obligations should be discharged. If we do not care to accept its recommendations, we are not thereby released from our obligations; if we refuse to come into line with other countries on the special non-military measures and means suggested, the only result is that we are remitted to our obligations under the Article in their absolute and unqualified sense. Honourable members will therefore at once see that while we have an effective voice through our representative on the committee, our freedom to accept or reject the ultimate recommendation of the committee, so far as it relates to economic sanctions, is nominal rather than real.

With one courageous exception (Mr. Blackburn, M.H.R.), both Labour parties strenuously opposed the Bill at every point. There has been a sharp division of opinion in Labour organisations in the constituencies, but not along the same lines as in Great Britain. The substantive grounds taken in Parliament have been isolationist rather than pacifist. To the Government's contention that Australia should follow the British Government, the Labour leaders replied by insisting on Australia's full independence. To the Government's contention that Australia should support the principle of collective security embodied in the Covenant, they replied that circumstances have so changed since the Covenant was signed that its obligations cannot now be regarded as binding, and that in any case "sanctions mean war". The attempt to show that the Covenant is no longer binding was a rather half-hearted one. The gravamen of

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the Labour attack was that "a vote for sanctions means a vote for war".

What the Labour leaders had in mind in saying this was partly the fear that obscure and sinister forces had planned another world war, this time with "the collective system" and "the League principle" as slogans to enlist the support of the idealistic. The sudden fervour of the support that was forthcoming in unexpected places for the "sacred principles of the Covenant" intensified their fears. So did their recollections of the Sino-Japanese dispute in 1931-32. During the course of that dispute the Australian Government expressed itself as wholly in accord with the policy followed by the British Government, but refused to discuss in Parliament the issues involved. Australian opinion has never been very much alive to the considerations, economic, political and strategical, which in the minds of many well-informed people made impossible any collective action in the Pacific in 1931-32. The result has been that the failure to take collective action then was used in the crudest way as an argument for abstention now. It was also urged that the Covenant was now being used merely as a screen for imperialistic interests.

In any case, the Labour spokesmen contended, sanctions must of their very nature provoke war. For that view, they gave very distinguished authority. Had not Mr. Baldwin himself, for instance, said that "there is no such thing as a sanction that will work that does not mean war"? Sir John Latham, again, sometime Commonwealth Attorney-General and recently appointed Chief Justice of Australia, had written in a similar strain:

The application of economic sanctions is not a substitute for war. It is really an act of war. Any one who remembers the nature and effect of the Allied blockade of the Central Powers in the Great War will hardly deny that a blockade is definitely an act of war. The prohibition of economic and other intercourse must involve, in many cases, if it is to be effective, the establishment of a blockade. . . . If the prohibition of intercourse is to be real and if it is resisted, then the governments

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applying the sanctions must be prepared to see the matter through by the application of physical force.

Finally, there was the authority of Mr. W. M. Hughes, war-time Prime Minister of Australia and at that period Minister for Repatriation in Mr. Lyons's Government. In a book entitled *Australia and War To-day*, published actually during the debates on the Bill, he had said :

All effective sanctions must be supported by adequate force. Economic sanctions which do not materially hamper Italy's war-like operations are not likely to deter her from aggression. If on the other hand sanctions that cut off her food supplies and raw materials, and threaten her line of communication, are applied she will use every means at her disposal to compel the nations responsible to abandon them. In the highly-strung mental state of the Italian people this means resort to force. . . . Economic sanctions are, therefore, either an empty gesture or war.

In all these cases, it is clear that the writer had a blockade in mind. The Labour speakers in the House were of course quick to point out that Article 16 of the Covenant did in terms impose an obligation to establish a blockade. But that did not prove at all either that the Government's support of the Covenant was illusory, or that the sanctions proposed by the Government necessarily meant war. The Government was in fact implementing Article 16 in the sense in which the League had agreed it should be interpreted, and in the process Australia was going as far and as fast as the rest of the "sanctioning" countries desired or would go. On the other hand, whatever might be said of a blockade, it could not be reasonably maintained that the refusal of loans and credits or the prohibition of imports and certain exports were in themselves "acts of war". The Japanese, indeed, had claimed in 1931-32 that the Chinese boycott amounted to an act of war, proclaiming their armed retaliation a legitimate measure of self-defence. But the opinion of the world had been heavily against them. True, even such measures might be forcibly resisted by a desperate opponent willing to range the whole League in

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arms against himself. But the Government made a strong case for the view that the measures it proposed could and should be discussed as measures of peaceful constraint.

At this very point, however, difficulty arose about the views expressed by Mr. Hughes in his book. It was not a book on the League and the Italo-Abyssinian war, but a book on Australian defence policy, in which the question of sanctions against Italy was only incidentally, though trenchantly, discussed. Mr. Hughes' object was to arouse the Australian people to the need, as he saw it, for a vigorous policy of increased armaments, especially for service in the air. His thesis was that the League system had altogether broken down; that it could only have worked if the nations were prepared to back the Covenant with overwhelming force; that in fact they were not prepared to do anything of the kind, and therefore that each nation must now look to provide alone the means of its own security; that economic sanctions short of a blockade are an empty gesture, and that a blockade would involve war; in short that by whatever route Australia must face the necessity of increased armed preparedness.

With much of this thesis the Government would no doubt have been in agreement. The point of disagreement was narrow, but sharp. The Prime Minister at once requested Mr. Hughes' resignation, saying that his view "challenged the wisdom and sincerity of the Government's Sanctions Bill", and that on so vital a matter a divided front could not be permitted. A good deal of sympathy for Mr. Hughes was felt throughout the country. He has a strong following among returned soldiers, his views are already widely held, and many people who do not usually share his views felt that he had been treated rather severely. Nevertheless, the Prime Minister rightly regarded Mr. Hughes' statements as inconsistent with the views that the Government had expressed on the effect of its policy. The Opposition, with mingled delight and bitterness, treated the book precisely as impugning both the wisdom and the sincerity

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of the Sanctions Bill. Mr. Hughes, they said, had had the courage to tell the country exactly what the policy of sanctions involved: it meant war, as they had said all along. On the whole, Mr. Hughes made the differences even more plain in the House by saying that he welcomed the Government's proposals for sanctions and proposed to vote for the Bill; that "we cannot allow the aggressor to go on his way and ignore both the law and the other peaceful nations"; and that he would not "hesitate to see this thing through". Presumably his own policy would be to push on at once—subject of course to assurances of French support—to a blockade of Italy, realising that it would probably lead to war.*

The Opposition insisted that this was the true alternative to their own policy of non-participation in the imposition of sanctions. They agreed that economic pressure by a universal League might be effective. But under existing conditions the only thing to do was "to rely on the effect of our voice in contributing to the moral conscience of the world, and in persuading Italy to return to a sense of its obligations".

Public opinion seems on the whole to have rallied strongly to the support of the Government. With striking exceptions, there has been too much emphasis on the legal and constitutional aspects of the problem to fire the imagination of the plain man. There has been too little public discussion of the positive general ideas underlying the collective system. But there has been a remarkable degree of support for the policy of sanctions, even though it is often treated almost as a *pis aller*: "after all, the only thing we can do under the circumstances".

* Mr. Hughes has since been reappointed Minister of Repatriation.
---Editor.

AUSTRALIA

II. THE COMMONWEALTH GRANTS COMMISSION

AS will be well known to readers of THE ROUND TABLE, the financial provisions of the Commonwealth constitution give financial predominance to the Commonwealth; among other provisions for transferring funds from the Commonwealth to the states is section 96, which authorises the Commonwealth to "grant financial assistance to any State on such terms and conditions as the Parliament thinks fit". For varying periods, Western Australia, South Australia and Tasmania had been in receipt of special grants by virtue of their financial embarrassments. The amount of these grants was frequently made the subject of enquiry by Royal Commissions, and they always caused a good deal of parliamentary heart-burning.

In 1933, however, in the hope of laying down some permanent principles upon which the financial relations of the Commonwealth and the less populous primary-producing states might be adjusted, the Commonwealth Government appointed a Commission for three years to investigate the claims for special assistance made by the three states just mentioned (the "claimant" states). This Commonwealth Grants Commission has made two reports so far, each of which is a perfect mine of information to the student of political institutions in actual working. The members of the Commission are able and experienced, and they have attacked the whole problem of finance and federation with patience and thoroughness. If the Commission had done no more than make acceptable recommendations for grants, so that the Commonwealth Parliament had only to enact the necessary measures to give effect to the recommendations, it would have served a useful purpose. But from one point of view this has actually been the least important part of its work. Of great and permanent interest are the conclusions it has reached upon the general problem entrusted to it.

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On examining the financial provisions of the constitution, the Commission came to the conclusion that it would not have been wise or practicable to give to the central government financial powers less extensive or less flexible than it has at present. As the constitution stands, the Commonwealth has an exclusive power of customs and excise taxation and concurrent powers in direct taxation. Under normal circumstances this division of powers would place the Commonwealth in a position superior to that of the states, and the constitution made express provision in various ways for transfer of moneys from the Commonwealth to the states. In the Commission's view no federation could possibly escape from a system in which one government would raise money that another government spent. Full financial responsibility could not perhaps be achieved under such a system. But the Commission did not regard the Australian financial system as open to effective criticism on this ground. A survey of Australian finance showed in fact that there was a more or less continuous process of redistribution going on from the Commonwealth to the states. The Commonwealth raises taxation, broadly speaking, on the basis of taxable capacity, and distributes it directly or indirectly (either in services or in grants) on the basis of population. This definitely favours the less populous primary-producing states, in which taxable capacity is lower than it is in the manufacturing centres of the south-east.

Fundamentally, the Commission traced the unfavourable position of the claimant states back to the conflict between political and economic forces within Australia. Even at the risk of excessive quotation, perhaps it is best here to let the Commission speak in its own words :

Australia tends to develop into one large economic unit, and industry tends to specialise on that basis the manufacturing industries in the south-east, the rest of the continent being devoted mainly to primary industries. This trend was present before federation, and would have gone on if federation had not been brought about. The states could have interposed certain

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more or less effective obstacles to it, but this policy would have been expensive to them. The effect of federation has been to increase the trend.

This integration of the economic unit is on the whole a benefit to Australia, and it is important that it should not be obstructed. Through it Australia as a whole will enjoy the maximum available standard. The difficulty is that political control over a large proportion of the activities of the community is exercised by states whose boundaries were defined about a century ago without any consideration of the economic position which would grow up. Unification is one solution. But all state governments of necessity are bitterly opposed to any move towards unification, and the peoples of the outer states feel, not unreasonably, that their specialised interests will be sacrificed if the majorities in the south-east have complete control.

From the administrative point of view the federal solution is justifiable because it secures effective decentralisation. The states have definite powers which cannot be overridden and are, therefore, able to assert and defend the interests of their constituents. Thus federation produces an all-round development more satisfactory and more representative than if all political and economic movement were canalised through one political organ. The federation undoubtedly produces difficulties, but these should be dealt with by conferences and discussions and a system of voluntary co-operation.

The result of the conflict is that the smaller and less developed states find it considerably more difficult to provide the services required for their people than those of the more developed states. Taxable capacity is small and the cost of developing farm industry, which falls on state governments, is far greater than the cost of promoting secondary industry through the tariff. A state which is carrying on the task of developing difficult areas may well need special assistance.

In determining the question of compensating a state for the disadvantages of its position, two questions must be kept carefully distinct. The Commission does not think that there can be any compensation for the effects of Commonwealth policy upon the *people* of a state, apart from such compensations or adjustments as may be provided by the Commonwealth Parliament itself as an inherent part of the policy. The Commission remarks that "legislation must be taken as setting the economic conditions under which a people must function". From the point of view of Commonwealth policy the whole

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country must be regarded as a unit, just as it would be under a unitary constitution. The Commission illustrates its point by referring to the fact that, when in England recently wheat and beef and other rural products were protected, the burden fell on exporting manufacturing industries, but no question arose of compensation to Lancashire. The Commission says again :

When economic conditions are changed by legislation, people must adapt their activities to the new conditions, as they would to the effect of changes in the price-structure from any other cause. Population must be left free to move from occupations now become less profitable, and compensation would hinder the necessary movement. The obligation is on the Government not to make changes that require an impossibly rapid rate of transfer, just as it is to slow down the rate of transfer made necessary from other causes.

Compensation to the *government* of a state, however, is an entirely different question. A government cannot change its occupation or its place of residence. If Commonwealth policy imposes disabilities on a state in such a way as to impair the efficiency of its government, there is a real case for assistance by the Commonwealth. Further, the government of a state that is in a distressed financial condition may find it impossible to function at the minimum standard customary for governments in other parts of the federation. It may even threaten financial collapse. In such circumstances there is a strong case for Commonwealth assistance, quite regardless of the causes of the distressed condition of the state.

The Commission, after exhaustive examination, was satisfied that the protective system of the Commonwealth did affect adversely the less populous primary-producing states, but estimated that the injurious effects of Commonwealth fiscal policy were more or less offset by the benefits accruing under the system of revenue-distribution already referred to. Having reached this conclusion the Commission then turned to the other ground upon which special assistance could be supported, namely, the obligation of

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the central government to grant to a financially embarrassed state such assistance as would enable it to function at a minimum standard. Upon that principle the Commission has acted in recommending grants for each of the three claimant states.

The fixing of a minimum standard involves questions of some nicety. Clearly the standard must be fixed in some relation to the standards of other states in the federation, but in Australia the fact that there are only six states, three of which are seeking financial assistance from the Commonwealth, greatly adds to the difficulty of fixing the standard. The three non-claimant states show great variations, and New South Wales presents so many abnormal features that the Commission decided, for the purposes of its second report, to fix a "normal" standard for Australian state governments by striking a simple average of Victoria and Queensland. In its first year's work the Commission struck an average of all three non-claimant states, but this principle was a good deal criticised.

The Commission in its last report took the view that a state seeking assistance should be required to make an effort greater than that necessary in "normal" states, so as to give it ample stimulus to escape from its position of financial inferiority, and so as to ensure that grants of special assistance should not undermine the sense of financial responsibility felt by the claimant states. In fixing the severity of the standard to be attained, moreover, the Commission thought it was equitable to pay some attention to the causes of embarrassment in the claimant states. In part, the inferior position of the claimant states has been due simply to the heavier developmental burdens that the less populous primary-producing states have had to bear. In so far, however, as the difficulties of a state have been demonstrably increased through its own extravagance or unwisdom, the Commission felt that its standard might properly be made more severe.

The assessment of grants is thus a matter of very

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considerable difficulty, allowing wide margins for discretion. In the result, the Commission recommends for the current financial year grants to South Australia of £1,500,000, to Western Australia £800,000 and to Tasmania £450,000. These amounts are in each case rather more than those fixed for the previous financial year. On both occasions the grants were made by the Commonwealth Parliament as recommended. Some of the principles adopted by the Commission may be disputable, and there still remains work to be done on the statistical side, though much has already been accomplished in devising more accurate means of measurement. But on any footing it is hard to exaggerate the importance of the Commission's work in making possible the continuance of federalism in Australia. A system that enables each of the component states to function at approximately the normal standard is a system that offers some prospects of permanence. It should be remarked also that the Commission has so far not found it necessary to attach conditions to the grants it has recommended. The Commonwealth has paid the money to the states, leaving them free to pursue their own policies in expenditure. This again is an important contribution to the survival of federalism.

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I. THE HOARE-LAVAL PLAN AND AFTER

SINCE the last number of 'THE ROUND TABLE' appeared, the international problems involved in the Italo-Abyssinian war have not lessened in number or complexity, and there have been two developments that demand comment in these pages. The collapse of the Paris peace proposals last month, and the possibility of the imposition in the near future of an oil embargo against Italy, raise issues of great importance for the Union and the other Dominions. Briefly, these issues can be resolved into two questions. If the proposed oil sanction is enforced by the League and leads to an attack by Italy upon one or more of the sanctionist countries, will South Africa fulfil her League obligations even to the point of war? Secondly, do the circumstances of Sir Samuel Hoare's resignation throw any light upon the future development of the relations between Great Britain and the Dominions in regard to foreign policy?

Let us consider first the question of an oil embargo. At the moment of writing it is impossible to say how far technical difficulties, combined with the necessary caution of Great Britain, as the chief target of Italian animosity, and the well-known reluctance of France to drive Italy to extreme measures, may delay or prevent the imposition by the League of this strict sanction, which might either end the Abyssinian war or start a European one. As far as the Union is concerned, there is no reason to think that her attitude towards the League or towards sanctions has altered or weakened since Mr. de Water's emphatic

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pronouncement on the subject last September at Geneva.* South Africa dare not falter in her support of the League; for the League is for the small nations in general the best hope of defence against aggression; and South Africa in particular, that "Naboth's vineyard"—to use General Smuts' apt simile—desirable for its wealth, isolated, vast, and relatively weak, cannot afford to stand aside and watch inactively the weakening of her two bulwarks of defence, the League and the Commonwealth.

And constantly in South African minds, even of the "purified" type, there arises the question—"If Italian imperialism achieves by aggression its aims in north-east Africa, how long will it be before Germany follows the example thus set of profitable piracy?" And this question comes nearer home than Geneva or Addis Ababa. It was reported only recently that in South-West Africa orders from Berlin had compelled the fusion of the two German factions in the mandated territory, the Deutsche Bund and the Deutsche Front. The significance of this move and of its source was not altogether unappreciated in the Union; for the thought of a German colony re-established within a few hours' flying distance of Capetown is a disturbing one, and even Dr. Malan's partisans, in their enthusiasm for a general redistribution of colonial territories, claim South-West Africa as an exception. Lately, too, the official economic organ of the Nazi party in Germany uttered ominous words about the transfer of colonial possessions from weaker to stronger hands. Here again it does not elude notice that Lourenço Marques is within easy striking distance of the heart of South Africa, the Rand. There are few South Africans who do not realise that their country's interest is bound up with the existence of the *status quo* in southern Africa and in the maintenance, even at the cost of war, of the system of collective security which helps to defend that status from forcible violation. It is therefore reasonably certain that if an oil sanction is

* See THE ROUND TABLE, No. 101, December 1935, p. 181.

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imposed as a collective measure by the League, South Africa, like Great Britain, will as a member State follow wherever such a measure may lead.

Let us turn to the second issue, the implications of the Paris peace proposals in regard to Commonwealth relations. Here we saw the British Foreign Secretary executing a sudden and unexpected *volte-face* in a foreign capital and pledging his Government to a course of action which, however cogent his own reasons, went far beyond any concessions contemplated by his colleagues, and to which when the proposals were revealed a number of them showed themselves definitely opposed. If Sir Samuel Hoare acted in Paris without the full knowledge of his own colleagues in the United Kingdom Government, he acted far less with the knowledge or approval of the South African Government, which as a member of both League and Commonwealth had a very proper claim to be consulted before the British representative embarked upon a course of action that might be interpreted at least as side-tracking both the League and the other members of the Commonwealth. This was a situation in which South Africans, and not only those whom any text will serve for anti-British sentiments, might well say to themselves: "How can we continue to accept British guidance in foreign policy if it shows itself thus incalculable and inconsistent? How can there be any semblance of unity in Commonwealth policy if the British Foreign Secretary may run amuck at any moment?"

Such questions must have been at the back of a good many minds at the moment of the crisis, and might in time have provoked outspoken resentment. But the sound sense of British public opinion, in repudiating the proposals and in compelling the Government to repudiate their author, was prompt enough in its action to tide over a situation that might have aroused serious complications with the Dominions. Public opinion in South Africa was at one with that of Great Britain in its emphatic

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condemnation of the proposals made in Paris. Even a confirmed Malanite observed (no doubt with an eye upon South-West Africa) that it was rather much to buy off the Italians by offering them more than they had conquered. Members of the Union Government, however, very correctly refrained from all public comment upon a matter which, however closely it might have affected South African interests, was none the less technically the concern only of His Majesty's Government in Great Britain. But their views were conveyed to the British Government through the Union High Commissioner in London, and no doubt went to reinforce the demand of the British public for the repudiation of the Paris plan.

And now that this curious and disturbing episode is over, there are certain useful deductions to be made from it. It has, in fact, given a glimpse of the cracks that may in certain circumstances develop in the structure of the Commonwealth, and of the difficulties inherent in reconciling diplomatic independence with effective unity of action. The best contribution the Commonwealth can make to world progress lies not merely in casting a solid block of votes for peace at Geneva, but in presenting to the world a working model of co-operation without compulsion. As things stand to-day, the foreign policy of the Dominions tends to hinge upon that of Great Britain, though each Dominion has the right to shape its own. In matters of major importance it is usually Great Britain that takes the initiative, whilst the policy of the Dominions has hitherto generally expressed itself rather as a series of reactions to the British initiative than as a positive and independent course of action. The future cohesion of Commonwealth foreign policy must depend upon the extent to which British foreign policy can command the confidence and sympathy of the Dominions. If the foreign policy of the Commonwealth is to present itself merely as the aggregate of some five or more policies which happen for the moment to coincide, then it is to be

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feared that the chances of disruption are at least as great as those of the continuance of a fortuitous cohesion. Unity of action can be maintained only if the policy followed by the strongest partner and the one situated closest to the heart of affairs is based on certain definite principles clearly understood and freely accepted by the remainder.

In the first place, there must be consistency: it was the sudden somersault performed by Sir Samuel Hoare in Paris no less than the proposals themselves that aroused bewildered apprehension in the Union. The delicate mechanism of Commonwealth co-operation could not easily survive many more jolts of this kind. The Dominions must be able to feel assured that a policy to which they have pledged themselves, and whose success depends largely upon the power of British co-operation, is not going to be endangered by unpredictable eccentricities on the part of the British Foreign Secretary. Indeed, as has been said above, it is fortunate that on the present occasion the British Government was able to dissociate itself from the action of an individual Minister quickly enough and convincingly enough to avoid complications with the Dominions.

Secondly, there must be continuous rather than spasmodic consultation between the Dominion Governments and the British Government. This need for consultation was strongly emphasised at the Toronto Commonwealth Relations Conference of 1933, and is a vital one. Exchange of information and views after the event may allay apprehensions and restore some degree of confidence; but if real cohesion is to be maintained the Dominions must feel confident that in the future this exchange shall, as a matter of course, precede any serious change in the direction of foreign policy, rather than follow it in a desperate attempt to cover up a blunder.

Thirdly, British foreign policy must be a world policy, not a purely European policy. Past examples, for instance Lausanne and Locarno, have shown that where the British

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Government enters into agreements based on purely European considerations the Dominions stand aloof in a quite natural unwillingness to lend their weight merely to shift or anchor the pieces on the European chessboard. As long as Great Britain can convince the Dominions that her policy in Europe is designed, not merely to effect the security of Great Britain and western Europe, but also to protect the integrity of the whole Commonwealth, so long will her policy command their confidence. Indeed, the reliance that the Dominions place upon Great Britain's influence as a world Power was lately illustrated by the complacent observation of Mr. F. C. Erasmus, one of the staunchest Republican secessionists, that the Union was in little danger from Japan, in view of the fact that a great British naval base (Singapore) lay between the Union and a possible invader from the East. If, however, for example, in order to make Germany a less dangerous neighbour in Europe, Great Britain were to barter with her at the expense of the Empire or to the detriment of the Commonwealth, or if in order to placate Japan she were to propose to dismantle Singapore, co-operation in the Commonwealth would collapse and the Dominions would be forced to seek security on other lines.

Finally, Great Britain's world policy must remain based on League principles. The British Commonwealth is in itself a miniature League based on the idea of collective action, and enough has been said in this and in the last ROUND TABLE article from South Africa to show how increasingly strong is the feeling of the Dominions that the realisation of this idea in world affairs is one of the best guarantees of their own peace and security. At the time of the recent crisis, the *London Times* very wisely observed that :

Even more significant [than the reaction of the British provincial press to the Paris proposals] is the reaction which comes from end to end of the British Empire, for it must never be forgotten that the League of Nations and the principles for which it stands

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are an additional and an essential bond of union between members of our Commonwealth.

We would go even further, and say that in the future, as the independent nationhood of the Dominions grows more mature and exhibits a slow but steady differentiation of national character and internal policy, it is the ideal of collective action for peace which, next to the Crown, will be not merely an essential but *the* essential bond. It may be that the League of Nations as at present constituted represents a premature and over-ambitious attempt at universality, and that under the stress of present difficulties this attempt may break down. But the principles on which it is based are deep-rooted and will remain. And it may well prove that the future of the British Commonwealth lies in providing the world with a nucleus of peace-loving nations which will gather round it, by the attraction of common interest, other like-minded peoples such as those of Scandinavia, not necessarily in a political union, but in a close association in the cause of peace. But whether the League of to-day survives its present trials and emerges stronger thereby, or whether the hope of the future lies in a new League based on the British Commonwealth and spreading out more slowly, but more firmly from more modest beginnings, the present crisis will have served some purpose if it convinces Downing Street that the ideals of the League, if not its present form, will prove in the future the strongest practical sentiment linking together the members of the British Commonwealth.

II. THE NATIVE BILLS AND NATIVE OPINION

IN the September number of *THE ROUND TABLE* * there appeared a full discussion of two Bills, the Representation of Natives Bill and the Native Land and Trust Bill, which had been drafted by a Joint Committee of the two Houses. This report, the outcome of several years' work, was

* See *THE ROUND TABLE*, No. 100, September 1935, pp. 722 *et seq.*

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published in May 1935. It was not put forward as the considered policy of the Government; indeed, it was plain that opinion on the Joint Committee, even Ministerial opinion, had been much divided, more especially on the score of the retention or the abolition of the Cape native franchise. The two Bills are to be introduced early in the parliamentary session that began on January 24, but the Ministry has wisely and justly decided to introduce them as non-party measures. Had they decided to push them as Government measures, there can be no doubt that both would have been carried more or less as they stand, including the proposal to abolish the Cape native franchise; for they would have been sure, as General Hertzog's Pact Ministry was never sure, of the requisite two-thirds majority of the two Houses sitting together. As it is, the fate of the Bills is in the lap of the gods.

It is not the purpose of this article to discuss the virtues and defects of these measures, or their probable fate. All that will be attempted here is to note the attitude that the South African natives, the Bantu, have taken up towards them. Both Bills have long histories. The very few leading South Africans, and notably the late Mr. W. P. Schreiner, who advocated a loose federation rather than a legislative union in 1908-9, did so mainly because they believed that under Union the other three provinces would seek to destroy the non-racial franchise of the Cape. They scouted the idea, genuinely held but in their opinion erroneous ("the imperial illusion", Mr. Schreiner called it), that the Cape liberal policy, being well tried and just, would leaven the lump. They feared the lump would dissipate the leaven, and events would seem to be proving them correct. The right of the Cape Bantu to acquire the vote on the same terms as Europeans and coloured men has been in jeopardy ever since General Hertzog introduced his comprehensive segregation scheme in 1926. Its value was immensely reduced in 1930 when his Pact Ministry gave European women the vote throughout the Union, and

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almost cancelled in 1931 when the same Ministry relieved European men in the Cape and Natal of the property and educational qualifications that had hitherto been demanded there of men of all colours, and gave them the vote on the purely racial basis that had always been the rule in the two ex-republics.

The projected Native Representation Bill brings the franchise issue to a head. Coloured men (mixed breeds) are not affected thereby, for their affairs are in the hands of a commission which has not yet reported. Again, Bantu who are already on the Cape voters' roll, some 10,000 in all, are to remain there. But the rest of them, and all the Bantu in the other three provinces, are to be represented by four European senators and, if the experiment is working well seven years hence, by six, in addition to the four senators who have always been appointed by the Governor-General since Union to speak for native interests. Cape natives are also to elect two members, who may be non-Europeans, to the Cape Provincial Council so long as that body continues to deal with certain specified native concerns. There is also to be a purely advisory Native Council, under strict official control, consisting of chiefs or representatives elected by various native boards and councils for four large constituencies: the Cape Province proper, the Cape native territories beyond the Kei river, the Transvaal and Orange Free State, and Natal and Zululand.

The roots of the Native Land and Trust Bill run back as far as 1913. Under the Native Lands Act of that year, the Bantu were deprived of the right to acquire land outside their existing reserves and such other areas as might be allotted to them. The prospect of additional land was thus the *quid pro quo* for the loss of very real and valuable rights. This Act was not applied to the Cape Province because the Courts held that, so long as landholding was one means of acquiring the vote, the Bantu must be free to acquire it along that line. This decision, as opponents of the projected legislation have been quick to note, is the link

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between the Representation and Land Bills; for once the Cape Bantu lose their right to the franchise they will lose their right to acquire land in their own province outside limited areas.

Various commissions have suggested additional native areas, and Bantu outside the Cape Province have long been permitted by the Executive to acquire land here and there in the areas common to the commissions' reports. So far, however, there has been no finality in the matter. The projected Bill proposes to achieve that finality. The position is as follows. The total area of the Union is some 302,000,000 acres. Of these some 22,000,000 are reserved lands. It is now proposed to release an additional 15,500,000 acres or so adjoining the reserves. These may be acquired either by the Native Trust, which is to be financed by a parliamentary grant and by rents and other monies accruing to it, or by individual natives. Much will depend on the size of the parliamentary grant, for our Bantu are not wealthy; but if all goes well rather more than 12 per cent. of the total area of the Union will be set aside for the Bantu. This, as the Minister for Native Affairs justly observes, is not so one-sided as it appears at first sight, because much of the 88 per cent. allotted to Europeans is very poor and barren country, while some of the existing native reserves are in the best parts. That is true; on the other hand, it must be confessed that other native areas are also poor stuff and, in any event, are full, while, as far as can be judged, many of the proposed released areas are full also. Finally, though this did not arise from the Joint Committee's report, the Urban Areas Bill will limit still further the right of the Bantu to dwell in towns, and will thus tend to keep them either in their own rural areas or on European farms.

Native comment on these Bills has been abundant. An emergency meeting of the Cape Native Voters' Convention, held at East London in July, gave the lead. This meeting fastened, as was natural, on the Representation Bill, and condemned it on the grounds that the Cape native

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franchise had never been abused since it was granted eighty years back ; that

the confiscation of citizenship without rebellion or treason is an irregular and unprecedented course on the part of any modern state ;

and that the Cape franchise was to the Bantu

a dearly prized symbol of citizenship . . . held in trusteeship for the future of all other races in the Union who aspire thereto as the consummation of true citizenship.

Finally, it begged humbly that Government would allow "at least twelve months" during which the Bill might be considered and constructive criticism be offered.

The Government then very wisely decided to submit the Bills to five native conferences consisting of chiefs, prominent natives specially invited, and representatives of native councils and boards. These meetings were held during September. The first, at Pietermaritzburg, represented the Bantu of Natal-Zululand. Speaking through the mouth of the Zulu Regent, head of the most conservative tribe in South Africa, it declared that it did not want to be represented in Parliament by European senators, but much preferred to lay its views before Government "as on this occasion, without a European intermediary". This conference, and those held subsequently at Pretoria for the Transvaal and Free State Bantu, and at Mafeking for those of British Bechuanaland and Griqualand West, expressed satisfaction at the idea of a Native Representative Council ; for that would simply carry a step further the system of native conferences instituted by the Smuts Act of 1920.

At this stage qualified approval ceased. The Pretoria and Mafeking conferences condemned the proposed abolition of the Cape native franchise as a backward step ; while those held at Umtata for the Transkeian Bantu, and at Kingwilliamstown for those of the Cape Province proper, were even more outspoken. General Smuts had done his best to pour oil on troubled waters in advance. He, with his

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fellow Ministers, Mr. J. H. Hofmeyr (Interior) and Mr. R. Stuttaford (acting Minister for Native Affairs), had voted in the Joint Committee against the proposal to debar Bantu in future from enrolment in the Cape, and had since declared that, while he would not advocate the extension of that franchise beyond the Cape, he was opposed to taking away privileges that had been enjoyed for so many years. At Umtata he reiterated his views, but begged the assembled chiefs and native leaders to face the fact that the franchise might have to go and, in view of that possibility, to seek means of making the alternative Native Council a success. It was in vain. The Umtata conference declared that abolition would be "a surrender to the dictates of race prejudice"; while the Kingwilliamstown assembly resolved that it would breed "a disgruntled ex-voter population, . . . a semi-slave or helot group" (shades of Lord Milner!), and gave fair warning that it would drive the Bantu to identify themselves with "anti-white propaganda, especially that generated in all Africa by the Italo-Abyssinian conflict".

Such was the opinion of these officially summoned conferences on the franchise issue. Any small satisfaction that the authorities may have gained from the Pietermaritzburg meeting with its strong Zulu element was, in large measure, cancelled by the resolutions of a subsequent conference of Natal chiefs and headmen held at Ladysmith in October. This meeting resolved that the Cape franchise ought to be extended to the other provinces; that native representation through European senators was useless; but that, meanwhile, the projected Native Council was welcome as a stop-gap until such time as the Bantu outside the Cape had acquired the vote. And they appointed a committee to consider these and cognate matters more fully.

Touching the Land and Trust Bill there is little to record. The Pretoria conference really spoke for the rest on this head. It was in a good position to do so because it was

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attended by the acting Minister and the Secretary of Native Affairs and the chairman of the standing Native Affairs Commission. Where precisely, asked the Bantu, were the proposed new areas? What was the quality of the land? What was the density of the population thereon? Could not a mixed commission be appointed to go into all these points? Further, they asked, how could they be expected to give a considered opinion on the two Bills when they had only had a fortnight's notice of the conference, no advance copies of the Bills and, even when copies were forthcoming, none in their own vernaculars? "It is the intention of the Government", they noted, "to take a native census in 1936" (the first for fifteen years). Could not the Bills be held over till that was completed? "Let us not", said one chief, "rush this thing or we will make serious mistakes".

The criticisms of these conferences, and especially their demand for more time, have been endorsed by the conferences of the Presbyterian and Congregational Churches of South Africa, and by the Cape district synod of the Wesleyan Church. But from the non-European point of view the whole issue was summed up by an unofficial convention of native leaders from all parts of the Union, reinforced by a few from imperial Basutoland and by delegates from the African Peoples' Organisation, which speaks primarily for the coloured men of the Cape. Nearly 400 delegates met at Bloemfontein on Dingaan's Day (December 16) and the two days following. Many of them, certainly most of the speakers, were educated and urbanised Bantu for whom very little provision is made either politically or economically in the projected legislation. By a great majority they resolved that there could be no substitute for the right of citizenship; that political segregation would breed two nations which must inevitably clash; and that the right policy was one of political identity, as the history of the Cape Province for a century past had proved, a policy that would in time lead to the

NATIVE BILLS AND NATIVE OPINION

creation of a South African nation in which, while the various racial groups may develop on their own lines socially and culturally, they will be bound together by the pursuit of common political objectives.

At the same time they were prepared to face a demand for qualifications.

We recognise (they said) that the exercise of political rights in a democratic state demands the possession . . . of a reasonable measure of education and material contribution to the economic welfare of the country. The Convention is therefore not opposed to the imposition of an educational, property or wage qualification . . . , and believes that such measures would adequately protect the interests of the white population in whose favour the dice is already heavily loaded in view of the extension of adult suffrage to white men and women.

A minority, apparently from Natal and Bechuanaland, desired to make the best of the proposed Native Council; but the majority would have none of it, since in their view the functions of such a body were already provided for satisfactorily under the Smuts Act of 1920. For the rest, they resolved to petition the Governor-General to withhold his assent to the abolition of the Cape native franchise, to appeal to the King and the British Parliament "for an expression of their opinion" thereon, and to commend the study of the proposed legislation to the native inhabitants of the imperial protectorates.

On the score of the land, the convention welcomed the creation of a Trust provided it were adequately financed, but held that the additional areas were too small to be of real service, and repeated the request of the earlier conferences for fuller information and more time for consideration. "The meeting broke up with cheers and the singing of a Psalm".

From it all emerge three conclusions. First, many of the Bantu are prepared to consider the Government's land proposals on their merits. Secondly, some of them are ready to accept the projected Native Council, if only as a stepping-stone to higher things. Thirdly, practically all

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are unalterably opposed to the abolition of the Cape native franchise. May not the way out, at all events for the present, be to retain the Cape native franchise, and to set up the Council for the Bantu in the other three Provinces? That at all events is a solution that has been talked of hopefully by more than a few Bantu and Europeans.

Tengo Jabavu, the noted Cape Bantu politician and journalist thirty years ago, whose son, a professor at the Fort Hare Native College, presided over the Bloemfontein Convention, always used to say that the Afrikaners and Bantu were the only peoples in South Africa who understood politics. No one who recalls the record of the Afrikaner Bond would deny that tribute to the Afrikaners. The performances of these Bantu conferences would suggest that Jabavu was right also as touching his kinsmen. It would seem to be a strong argument against depriving any of them of political privileges. Or is it an argument that tells the other way?

III. THE POLITICAL SITUATION

IT cannot be said that any marked development has taken place since the situation was last described in these pages.* Bye-elections for the House of Assembly and the Provincial Councils, in so far as definite conclusions can be drawn from them, point to the Orange Free State and the country districts of the Cape Province as the main strongholds of the Opposition party led by Dr. Malan. His followers' main lines of attack on the Government in the campaigns of the parliamentary recess were on familiar ground. Through its inadequate taxation of the gold-mining companies and its compromising relations with the British Commonwealth the Government had sacrificed the national interests to the twin enemies of capitalism and imperialism. Along both these lines the followers of Dr. Malan are moving more and more definitely towards

* See THE ROUND TABLE, No. 100, September 1935, p. 840.

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the republican ideal. The acceptance by the Government of the resolutions of the League of Nations and the imposition of sanctions against Italy are used as a new illustration of the danger to which South Africa is exposed of being dragged into European wars in the wake of British imperial policies. It would be idle to deny that this propaganda, placing in high relief the risks of war, the distresses of the farmers, and the swollen profits of the gold mines, has, at any rate in certain parts of the country, had its effect in undermining the feeling of confidence in the Government that marked its accession to office.

The economic troubles of the farming community provide a natural source of discontents to town and country alike. The policy so far pursued by the Government of maintaining an internal price for such products as maize, wheat and dairy produce, much higher than the world market price, through the subsidised export of the surplus, has led to its inevitable result. Production, so far from being discouraged, has increased. The surplus to be thrown on the world market steadily grows unless restricted by climatic conditions. The consumer revolts against being compelled to pay high prices for the necessities of life while being taxed to enable the producers of these articles to sell them at a far lower figure to the peoples overseas. The urban population threatens withdrawal of its support if this policy is continued. The farmers are equally insistent that it shall not be abandoned unless an equivalent protection is provided for them in some other way. Members of the Government in their public speeches have foreshadowed measures to be taken for increasing the internal demand for these products, but, short of a considerable reduction in price—which would obviously not be acceptable to the producers—it is not clear how that end is to be attained. Free milk is being supplied to school children, and butter and other dairy produce to various charitable institutions, and we shall no doubt

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hear when Parliament meets what, if any, other plans have been devised for utilising agricultural produce to a greater extent inside the country. But it seems improbable that any scheme can be devised that will provide an immediate solution of the difficulties. We are held in the old dilemma of surplus production on the one side and artificially maintained internal prices on the other.

Another question that will come up during the coming session is the promised adjustment of the taxation on the gold mines. The various formulæ that have been in force since 1933, when the so-called excess profits tax was first introduced, have given rise to much difficulty and dissatisfaction. Apart from complaints against the amount taken by the Treasury, the unequal incidence of the tax as between one mine and another has been a very fruitful source of trouble and irritation. A departmental committee was appointed last year to take evidence and consider alternative proposals. It is understood that the Minister of Finance has received their report, but it is unlikely that he will make any announcement until he lays his budget before Parliament. Whatever his decision may be, there is certain to be an attack on the Government from two opposite points of view—one that the burden laid on the mines is too heavy, the other that the “mine magnates” (in which term apparently are included all share-holders in mining companies) are being allowed to appropriate excessive profits at the expense of the people.

The Bills dealing with native representation and native lands, which have been discussed in the previous section, are not party measures in the ordinary sense, and it is certain that some, at any rate, of the provisions of the former Bill will not receive the support of all the members of the Government party, or even of the Ministry itself. What the attitude of the main Opposition party will be is not yet clear, but the discussion of these measures will occupy a considerable part of the session.

THE POLITICAL SITUATION

The death of King George called forth a widespread spontaneous expression of grief throughout the Union. In his long reign, with its many times of trial and its far-reaching constitutional changes, His late Majesty had won for himself the trust and affection of the people, untrammelled by their political divisions. We unite in mourning his loss.

NEW ZEALAND

I. THE GENERAL ELECTION: LABOUR'S VICTORY

NEVER in New Zealand's history has there been a turn-over in politics comparable to that produced by the tidal wave at the elections held on November 26 and 27, which drowned the Democrats, swept away the National Government, and landed the Labour party on a veritable Mount Ararat of domination to form for the first time in New Zealand a Labour Government.

The following comparison of the state of parties before and after the elections tells the tale of the overwhelming Labour victory.

	<i>At dissolution.</i>	<i>New Parliament.</i>
Nationalist	46	19
Labour	24	55 †
Independents and others * .	10	6
	<hr/> 80	<hr/> 80

* Including, at the dissolution, two Independents turned Democrat. No Democrats were returned.

† Including two Maori members.

Although Labour secured such a triumph, it was returned by a minority vote, the votes polled (90 per cent. of the electorate) being as follows :

Labour	(53 seats)	389,912
Nationalist	(19 seats)	280,267
Democrats	(no seats)	64,518
Communists	(no seats)	620
Others *	(8 seats)	116,406
Total		<hr/> 851,723

* Including two Maori members who will support Labour.

THE GENERAL ELECTION

Three Cabinet Ministers were defeated—Sir Alexander Young (Health), Mr. J. Bitchener (Public Works) and Mr. C. E. Macmillan (Agriculture). The Democrats, submitting 51 candidates, did not win a single seat, and lost two sitting members of Parliament who had been Independents. The Prime Minister, Mr. G. W. Forbes, was elected on a minority vote, his opponents being an Independent and a prominent official of the Douglas Social Credit organisation, standing for Labour; while Mr. J. G. Coates was hard pressed by Mr. W. Grounds (Country party), and retained his seat by a narrow majority. Among the defeated candidates was Sir Alexander Herdman, a former Attorney-General of the Reform party and Judge of the Supreme Court, who the day after his retirement from the Bench announced his candidature with a violent partisan attack upon the Government. The country's heaviest loss was the defeat of Mr. W. Downie Stewart, former Minister of Finance. With his financial and economic knowledge and experience, his lucid and temperate criticism, and the esteem in which he is held by the Labour leaders, he would have been invaluable in the ranks of the Opposition in pointing out any unsoundness in Labour's financial proposals. No woman was elected.

Labour itself, although confident of success, never anticipated much more than a bare majority. Several factors contributed to the surprising result. There was widespread dissatisfaction with the National Government, its opponents complaining that it protected the farmers and neglected the commercial and manufacturing interests, that it had violated the sanctity of contract and developed what has been called the "debtor mentality," that it was steadily drifting towards socialism and suppression of private enterprise. The inevitable cuts and economies of a depression period combined with a strong public hostility towards Mr. Coates, the veritable, although not the nominal, leader of the party, to make a large body of voters determined to turn the Government out of office at any cost.

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Another factor was the Government's failure to introduce a system of preferential voting. Every seat was contested and in several there were five or six candidates representing different interests. The Democrats proved a good ally to Labour, both by their vigorous attacks upon the National Government and by the votes that they secured. While each of ten Labour candidates gained a majority of 4,000 at least, 19 seats were won by Labour on a minority vote. It can by no means be assumed that in a straight contest every Democrat vote would have been cast for the Nationalists and not for Labour, but the party undoubtedly counted upon securing and must have secured a substantial number of votes from people who wanted to put the Government out but not to put Labour in. Even neglecting the Democrat vote altogether, the indications are that on a preferential system Labour would have lost at least twelve of the seats it secured.

A third factor was the adherence of the Douglas Social Credit supporters to Labour. The Douglas Credit organisation in New Zealand is vigorous and has many members, and, untaught by Major Douglas's sorry exhibition before the Monetary Commission here, it has been active in propaganda work throughout the country. The banks and other institutions likely to be affected by its plausible proposals have until the eleventh hour treated it with silent contempt instead of instituting a counter-attack by means of attractive pamphlets and able speakers. Labour's "intelligent credit" policy was so enunciated as to appear to banking interests the Big Bad Wolf dressed up in a green Douglas Credit suit.

At least as important as these factors were the strength and driving power of the Labour organisation, its determination to take full advantage of the swing of the pendulum, and its will to win.

The election campaign, speaking generally, was contested in a spirit of sportsmanship and good temper. An Australian, whose first experience it was of a New Zealand

THE FINANCIAL PROBLEM

election, was struck by the absence of rancour and the freedom from personalities, vituperation and violent language. There was little that was novel in the way of "putting it across." A suggestion was made that the party leaders should broadcast from the government stations, but there were difficulties and it fizzled out.

Sanctions having been provided for to the satisfaction of everybody, and defence gaining scarcely a reference, the election was fought on purely domestic questions. The main planks in the programmes of the three parties were set out in the December number of *THE ROUND TABLE*.^{*} The chief objectives of the three main parties were identical. All aimed at budgetary stability, the restoration of the civil service cuts, the establishment of schemes for compulsory national superannuation and national health insurance—free medical attention from the cradle to the grave, as one Labour candidate put it—the solution of the unemployment problem by the development of schemes of national, local and private enterprise, and by co-ordination between public works and unemployment policies, and the revision and improvement of our educational system. All three stood, too, for support of the Covenant of the League of Nations and the solidarity of the British Empire.

II. THE FINANCIAL PROBLEM

BUT it was on the question of ways and means that the three parties joined issue. The Nationalist Government weathered the storm and realised its responsibilities. It knew the country's financial limitations and made the establishment and extent of its schemes dependent upon the permission of financial conditions. If taxation was to be reduced rather than increased, it was aware of the difficulty of raising money to finance expensive schemes of social services. It had made definite provision in advance for

^{*} See *THE ROUND TABLE*, No. 101, December 1935, pp. 202 *et seq.*

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superannuation, for the extension of public works, for housing, on which last scheme Mr. Coates brought out the last of his now familiar blue booklets. This might mean only a modest advance towards the millenium, but one that the National Government claimed that the country could afford and that could be realised.

For the high exchange premium on London, Labour proposes to substitute gradually a scheme of guaranteed prices to farmers; butter-fat prices will be based on the average of receipts for the last 8 or 10 years, and mortgages will be adjusted on the same basis. The Democrats offered in place of the exchange premium an export subsidy to farmers.

The Labour party is going not only to guarantee prices to farmers by a scheme vaguely conceived and differently interpreted by Labour candidates, not to say riddled by practical criticism, but also to fix by legislation a statutory minimum wage and salary for every person in the Dominion. According to Mr. Nash, the new Minister of Finance, "within a month of the Labour party coming into power no child and no mother will be without the necessities of ordinary decent living." Labour proposes to carry out its programme of guaranteed prices and wages and increased social services, involving an additional expenditure estimated by opponents at from thirty to forty millions a year, without borrowing—subsequently limited by Mr. Savage, the new Prime Minister, to overseas borrowing—and without increased taxation.

The Labour party is now in power pledged to expensive and undigested schemes, with a majority enabling it—if so inclined—to try experiments however rash and at a cost however great. It is pledged to give effect to its programme by "assuming control of the central credit system of the Dominion to ensure the maximum utilisation and distribution of the resources of the Dominion"; in other words, as the present Prime Minister explained, it is the intention of the Labour Party to control currency

THE FINANCIAL PROBLEM

and to make an intelligent use of the public credit of the country, apparently without cost to its people.

The speeches and actions of some of the present Cabinet Ministers indicate how this may be done. In one speech Mr. Savage said, in reply to a question in the *Gisborne Times*, "Where was the money to come from?", that the Labour party would take control of the two banks that belong to the nation, that is to say, the Reserve Bank and the Bank of New Zealand. In another, when asked how he would complete the Napier-Gisborne railway line—a promise he has definitely given—he said that when Parliament had determined to complete the line the cost would be assessed at, say, two millions, and

credit would then be issued for that amount, using the same instruments of exchange as now. There would be no tax on the public credit. I would sooner owe £5 to myself than to the Editor of the *Gisborne Times*. There you are then. I don't think I have left out any detail except the colour of the notes.

The *Evening Post*, Wellington, pointing out that this meant inflation of the currency, added, "Mr. Savage has shown that the currency will have a pronounced water-mark, so much so that the electors will never see the colour of their money." Mr. Nash has stated that the Labour party would purchase private shares in the Reserve Bank, making it a government credit authority, which would stand the deficit between world prices and guaranteed prices. The excess in boom years would create a reserve fund. Mr. Mason, the present Attorney-General, not long ago introduced into the House of Representatives the National Credits and Currency Bill, which was described by Professor Murphy as based on the fundamental Douglas fallacy that there is a permanent shortage of money in the economic system, and which openly set out to fill this gap by advocating state creation of currency and its free distribution.

The criticism of Labour's monetary policy was thus voiced by the *Evening Post* :

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If the Reserve Bank is to be the national credit authority to provide a money service sufficient to give effect to the will of Parliament, and that will be the will of Labour politicians who have lavishly promised their way into office, it will inevitably lead to inflation, to the depreciation of currency, the impoverishment of people dependent on savings and fixed incomes, to a desperate race between wages and prices as the latter rise and the purchasing power of the former falls, and then to further inflation,

with the disastrous consequences that have resulted in every country that has tried it.

The vital question for the country is whether, when the Labour Cabinet seek to implement their promises, they will realize that they are impossible of performance and that inflation only spells disaster; whether, following Mr. Aberhart in declaring that their pre-election promises were only figures of speech, they will content themselves with extending as far as funds permit the programme common to the three parties, thereby ensuring the support of the business and commercial community but disappointing the extremists; or whether they will disregard the lessons of history and the sound principles of economic control, and inflate the currency in order to experiment with a Utopian programme.

III. THE NEW GOVERNMENT

THE calibre of the members of the Labour party has made a favourable impression, and the general opinion is that the present House of Representatives will be superior in education, intelligence and experience to that just deceased. We may look forward to more vitality, enthusiasm and careful study of the questions with which Parliament has to deal. While the occupations of the new members vary considerably, the majority have not only held office in Labour organisations, but have also a fine record of service on local bodies, such as municipal, educational, hospital and harbour boards. Several of them served with distinction in the war. There are

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six university graduates in the party. The team includes several men of substance, and natives of England, Scotland and Australia as well as New Zealanders. Each of the two Church of England secondary schools, Christ's College and Wanganui College, which pride themselves on "turning out gentlemen," has contributed from its Old Boys a Labour member. Youth will be served, too, for there are three members under 30, and the average age of the members is considerably lower than that of their predecessors.

Soon after the announcement of the Labour victory the new Prime Minister summoned a meeting of all the Labour members at Wellington. This caucus entrusted the selection of the Cabinet to Mr. Savage and later unanimously approved his choice. He and his colleagues were sworn in on December 6. The members of the Ministry are as follows.

Mr. M. J. Savage : Prime Minister, Minister of External Affairs, Native Minister.

Mr. P. Fraser : Minister of Education and Health.

Mr. W. Nash : Minister of Finance and Customs.

Mr. D. G. Sullivan : Minister of Industries and Commerce and of Railways.

Mr. H. G. R. Mason : Attorney-General and Minister of Justice.

Mr. H. T. Armstrong : Minister of Labour, Immigration, and Employment.

Mr. R. Semple : Minister of Public Works and Minister of Transport.

Mr. W. E. Parry : Minister of Internal Affairs.

Mr. P. C. Webb : Minister of Mines.

Mr. F. Jones : Postmaster-General and Minister of Defence.

Mr. W. L. Martin : Minister of Agriculture.

Mr. F. Langstone : Minister of Lands and Commissioner of State Forests.

The Hon. M. Fagan, M.L.C. : Leader of the Legislative Council and Minister without Portfolio.

(Most of the Ministers hold also subordinate portfolios).

Of the twelve members of the Cabinet in the House of Representatives eight are from the North and four from the South Island, while nine represent urban constituencies,

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the cities having been the party's stronghold from which the Old Guard of the Cabinet are drawn. A welcome feature is the number of Ministers who have had practical experience from the bottom upwards of the affairs that they will have to administer. Of Mr. Savage one hears little except eulogy of his straightness, his modesty, tact and courtesy. The press and the people recognise that the key position will be held by, and the heaviest responsibility devolve on, Mr. Walter Nash, and his appointment to the position inspires confidence in the country, as he is "a level and keen thinker with unlimited reserves of energy and persuasiveness," knowing the difficulties and expected to approach them with a sane mixture of courage, enterprise and caution. He is a successful business man who for some eight years held the position of Secretary of the Labour party and who has made a special study of financial and economic questions. A vigorous speaker, combining lofty humanitarian ideals with a hard-headed and common-sense outlook on life, he is a thoughtful and thorough student of modern problems and a tireless worker. He was a representative at the International Socialist Conference at Geneva in 1920, the conference of the Institute of Pacific Relations at Banff and the British Commonwealth Relations Conference at Toronto in 1933, where his ability made a strong impression upon his colleagues from other parts of the Empire. If he has a bee in his bonnet, it is that of "the orderly marketing of primary products on a quota basis with reciprocal agreements for the expenditure of the credit derived from the sale of the products in the importing countries"—a theme that he propounded at the Banff Conference.

The new Minister of Mines, Mr. P. C. Webb, has been engaged in coal mining for many years and was President of the State Miners Union. He knows the mining business inside out. Public Works is a suitable portfolio for Mr. R. Semple, a practical miner who has been engaged in co-operative tunnelling at Otira, a miners' agent and

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inspector. He has had considerable experience of local affairs on the Wellington City Council and Harbour Board, and possesses plenty of experience and driving power to see that our public works are rapidly and economically done; but he has the defect of his quality in rashness and irresponsibility of speech, which may cause his colleagues some anxiety. Mr. D. G. Sullivan, who is Mayor of Christchurch, has shown himself particularly interested in the development of secondary industries. He was originally a french polisher, and visited Australia and the United Kingdom, working his way from place to place and gaining a wide experience of industrial life in those countries. Mr. H. T. Armstrong has run the gamut of many jobs—flax-milling, bushman, gold and coal miner, railway construction worker, water-sider and brick-yard employee—has held high offices in the Federation of Labour and the Workers Union, has been Secretary of the Christchurch Tramway Employees Union, was for several years a member of the Christchurch City Council, and has taken a great part in the championship of the cause of the unemployed and the alleviation of their sufferings.

As Attorney-General the country has a lawyer again instead of a layman. Mr. H. G. R. Mason has been in practice as a barrister and solicitor. He has, while in opposition, initiated and piloted through Parliament private Bills on two or three occasions, a rare achievement, and he can be relied upon for active and sympathetic modernisation of the existing law. Agriculture is in the hands of Mr. W. L. Martin, an experienced farmer, who was appointed President of the Waikato Farmers Union and the Executive of the Auckland Farmers Union. Mr. Peter Fraser, the New Minister for Education and Health, is, like Messrs. Semple and Webb, one of the Old Guard of Labour, and has from early manhood been associated with the Labour movement, first in Scotland and then in New Zealand. He is a member of the Wellington City Council and Harbour Board. He has always taken a keen

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interest in educational matters and will infuse fresh vitality into our educational system and the reforms for which it has been ripe for some time past. He has been closely associated with the W.E.A. since its inception.

It will be interesting to see what provision the new Cabinet will make for the equipment and training of our navy and volunteer land forces. The portfolio of Defence, together with that of Postmaster-General, has been allotted to Mr. F. Jones, but it is prophesied that he will hold it temporarily and be relieved of it later by Mr. J. A. Lee, who has been appointed a parliamentary under-secretary. The latter has worked on farms and later been employed in the Public Works Department. He was awarded the D.C.M. for conspicuous gallantry at the Battle of Messines and had his left fore-arm shot off at Mailly Maillet in 1918.

The new Ministers have taken over the secretaries of their predecessors and have also appointed a Parliamentary Under-Secretary to the Prime Minister, a post for which there is no legislative sanction or financial provision. We have been told that the proposed system of pooling Ministerial salaries is to be extended in such a way that all the Labour members in the Lower House will participate in it, each of them according to his special experience being attached to one of the Ministers and taking some share in the government of the country.

Since he became the head of the Government Mr. Savage has given some indications of his immediate policy, but already the Government is finding that promise is easier than performance. One of his early assurances was that the five-year-old children would be admitted to the state schools when they re-opened after the Christmas holidays. A direction to the educational authorities to carry out this policy, however, elicited the fact that there are not enough teachers available, unless raw recruits of one year's experience at a training college are called up at once for active service in the schools.

Mr. Savage calmed some fears by declaring that he saw

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no immediate necessity for any banking legislation in Labour's first session, and that if the Reserve Bank is to be taken over by the Government and made entirely a state institution the 500,000 shares at present held by private shareholders will be acquired at current market rates.

Parliamentary business is to be accelerated, and three-year parliaments restored. Various changes of policy are to be gradual. Statutory boards will gradually disappear, and the functions of government be restored to the people's representatives. The exchange premium will be reduced by instalments of $2\frac{1}{2}$ per cent. or less from time to time, and guaranteed prices to farmers will be correspondingly introduced as an alternative. The sales tax, too, will be only gradually reduced until it is finally abolished.

One cannot look forward with equanimity to the prospect of a restoration of political influence through the Government's attitude towards the Mortgage Corporation. The Corporation is not to be abolished, but the control and direction will be on similar lines to the policy followed in the State Advances scheme—a policy that has caused the country the loss of millions of pounds, though the amount has never been disclosed. The National Government's policy with regard to broadcasting is to be radically revised. Parliament is to be "put on the air" and all important questions debated will be broadcast. One promise that the Government is fulfilling is the gift to the unemployed of a state Christmas box of approximately a quarter of a million, including the Labour Government's special bonus of £100,000 to be distributed among 41,000 men.

Despite the party's official programme and the pronouncements of its leaders, the business community has outwardly shown no apprehension at Labour's advent to power, being convinced that Labour, the administrator, with the responsibility of office and the knowledge of the difficulties of performance, is a very different figure from Labour, the irresponsible demagogue on the platform promising a rainbow in the skies. The merchant, the

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banker, and the share broker may be understood to reason something on these lines. "The Labour Ministers are a level-headed lot of men with plenty of common sense, whose statements since they came into office have been reasonable and conciliatory. The party as a whole consists of substantial citizens with a stake in the country and experience of local affairs, who are unlikely to consent to any wild-cat financial schemes. New Zealand's destiny and financial interests are probably as safe in their hands as they were in those of Mr. Coates; and with their energy and enthusiasm, and the co-operation of the people of New Zealand, their leader is right in saying that the Dominion has a great opportunity of doing wonderful things, if we realize we are living in an age of change in a fertile country with a population one-fourth or one-fifth of what it could carry, and if we are determined to co-operate."

Making all allowance for the tendency to worship the rising sun, the reception of the new Cabinet has been cordial, and the co-operation sought by Mr. Savage has been promised by Chambers of Commerce and similar bodies. But in his excellent address to the departmental heads of the civil service Mr. Savage reiterated that there would be money changes and economic changes generally; he added, however, that they would be made with the least possible disturbance, the problem being to conserve and not to break the interests of the people. So that the vital question for the New Year is: is it to be sound finance, and freedom for the banks from political interference, or government control of currency and inevitable inflation?

IV. SANCTIONS AND THE PEACE PLAN

THE League of Nations Sanctions (Enforcement in New Zealand) Act, 1935, passed rapidly and without opposition through both Houses of Parliament at the end of the session, the Prime Minister having previously invited and received the collaboration and assistance of the

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leader of the Opposition. The Act recites Article 16 of the Covenant of the League, and in section 3 empowers the Governor-General by Order in Council to make regulations enabling the Dominion "to fulfil its obligations under Article 16." This section is of general application to future disputes as well as the present one. A later section requires all such regulations to be laid before Parliament within 28 days after the making thereof if Parliament is then in session, and, if not, then within 28 days after the commencement of the next ensuing session. The regulations are to lapse on the expiration of two months after they have been so laid before Parliament except so far as they are expressly validated or confirmed by an Act of Parliament.

It being made clear that the Act authorised economic sanctions only, and that naval or military sanctions would require special authorisation by Parliament, such discussion as took place was directed mainly to the following proviso to section 3, which was possibly the result of the consultation between the Prime Minister and the Leader of the Opposition:

Provided that nothing in this section shall be construed to authorise the making of regulations:—

- (a) Requiring any person to undergo compulsory training for service in any military, naval, or air force; or
- (b) Requiring any person to serve in New Zealand or overseas as a member of any military, naval, or air force; or
- (c) Prohibiting the publication in a fair and reasonable manner of any expression of opinion as to the expediency of any regulation made under the authority of this Act or the expediency of anything authorised or directed or prohibited thereby, or the expediency of any of the provisions contained in any of the Articles of the Covenant of the League of Nations.

The Leader of the Opposition and another Labour member pressed the Prime Minister to preserve the right of trial by jury for breach of the regulations. In the Legislative Council Mr. Bloodworth pointed out that New Zealand's

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total exports to Italy last year were valued at £206,000, of which £178,000 was the value of greasy wool and £27,000 the value of hides and skins, while total imports from Italy amounted to £151,000, composed mostly of silk and artificial silk, though there was one item of £31,000 for sulphur, also some items of very important chemicals. Other members advocated empowering the Government to conscript not only manhood but also wealth, and called attention to the defencelessness of New Zealand against air attack and our inability to send our quota of men and munitions for the purpose of enforcing naval and military sanctions, if that became necessary, owing to the abolition of compulsory training and the unsatisfactory position of the present volunteer force.

The Act was brought into force on October 26, on which date came into force also the financial regulations prohibiting loans, credits and remittances to Italy, and regulations prohibiting the exportation of arms, munitions and implements of war. A supplement to the Gazette of November 14 dealt with the prohibition of import of goods of Italian origin, prohibited the export of horses, timber and certain minerals, save with the consent of the Minister of Customs, to countries other than Abyssinia or any part of the British Dominions, these regulations to come into force on November 18. The regulations were also extended to Samoa and the Cook Islands.

After these measures, the Hoare-Laval proposals came as a shock to the people of New Zealand. With our belief in the determination of the British Government to draw the stranglehold of sanctions tighter if the other members of the League would co-operate, we felt that those proposals indicated that Great Britain must be playing a lone hand, that sanctions had failed and the League was dead. Almost as soon as we heard of the proposals we learned that they were stillborn. Hence all that we, 12,000 miles away, could do was to continue our faith in the British Government and people and wait and see. Cabinet Ministers are too fully

SANCTIONS AND THE PEACE PLAN

occupied with their particular immediate jobs to make any declaration of policy in anticipation of the next move, and although they are in close touch with the British Government they naturally cannot reveal diplomatic confidences.

How a group of seven of our young men felt is shown by an extract from their letter dated December 16 to the *Evening Post* (Wellington).

Nothing can justify conduct which amounts to a repudiation of an election mandate, places a premium upon ruthless invasion, and virtually destroys all hopes of establishing an effective system of collective security. We would like to take this opportunity to invite your readers to join with us in urging the New Zealand Government to protest formally to the Imperial Government, to refuse point-blank to be a party to the betrayal of Ethiopia and of the League, and to instruct its representative at Geneva to condemn the suggested "terms of peace" without qualification.

The Dominion Council of the League of Nations Union of New Zealand sent to the Government the following resolution :—

The Dominion Council respectfully urges upon the Government that in the interests of world peace and collective security it should immediately intimate to the British Government that it cannot support the Franco-British peace plan for the settlement of the Italo-Ethiopian dispute, as in its opinion the proposed terms violate the spirit and letter of the Covenant of the League of Nations, upon which the hopes of the world for enduring peace and security are based.

The clearest call to the Dominion to support the League crusade was made in a leading article in the *Evening Post* on December 14. After pointing out that in dictatorship countries no force of public opinion, apart from the opinion that the Government wills, is to be reckoned with, it says :

An unmistakable welling-up of public opinion is the best authority that a people can give to a Government to pursue a course possibly involving war, in preference to paying an aggressor his peace price. Such a mandate is possible only in a country of free men moved by their own public spirit. . . . Will public opinion in Britain rise to a critical occasion and

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create a new Geneva front, firming British policy against French weakness, and writing a new chapter in democratic history? If this happens, the peoples of the other units of the British Commonwealth will see that the lead has come from all sections of the British people who are nearest to the guns and the bombs—and this fact speaks volumes. . . . Democracy still fights the old fight in its historic citadel, the British Isles. To-day it is clear that the risks of the League crusade will not be taken unless the British people say so. Can we of the Southern Seas do less than follow the lead that is set for us by our fellows in the danger zone—the men and women who look the European peril full in the face and who so far have shirked it not?

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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WORLD CRISIS

THE events of the last few months, culminating in the occupation of Abyssinia by Italian troops and the flight of the Emperor, Hailé Selassié, have brought crisis to the League of Nations, to Europe, and to the future policy of the British Commonwealth. Decisions of the gravest moment will have to be taken in the next few months, perhaps before the Imperial Conference assembles at the time of the Coronation next year.

I. THE LESSON OF ABYSSINIA

WHAT has caused the crisis? Fundamentally it has been a lack of clear thinking about the Covenant of the League of Nations and a misreading by the nations of the Commonwealth of the significance of recent events. As THE ROUND TABLE has repeatedly pointed out, the League is a league of sovereign States, with all the inherent limitations of such a system so well described in the pages of the American *Federalist* a hundred and fifty years ago. Leagues of sovereign States have often been formed before, but as systems for maintaining peace they are subject to three main weaknesses. The first is that sovereign States find it very difficult to agree either in policy or in action, because they tend to look at every international problem from their own point of view and especially from the point of view of their own security in the event of war. The second is that change in the *status quo* is very difficult except in quite minor respects, because it can be brought about only by the consent of all the sovereign States concerned. The third is that the only final way in which a league of sovereign States can resist aggression, that is, an attempt to alter the *status quo* by force, or can

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compel revision of treaties or compliance with its decisions, is by war.

All these truths have been abundantly vindicated in the history of the League of Nations. Few will contend that anything like a world patriotism or a European patriotism has yet emerged at Geneva, to overbalance the struggle for national interests and security. Hardly any of the vital changes made since 1918 have been made through the League. Reparations and war debts were ended in effect by repudiation. Arms equality was taken by Germany unilaterally after she had twice left the Disarmament Conference and had resigned from the League because the League members had been unable to give her the arms equality she had been promised through their own disarmament. It was the same with the re-militarisation of the Rhineland. Germany could not allow the completion of the Franco-Russian pact of military assistance to pass without answer. She gave full warning of her strong objection to the diminution in her own security involved in the pact. Yet the League was unable to do anything to solve the Rhineland problem by agreement before the period of crisis arose. Nor has the League yet been able to make those frontier rectifications that seem to be indispensable to the relaxation of tension in the Balkans.

The inability of a league of sovereign States to bring about that constant revision of the economic *status quo* which is manifestly necessary in the modern changing world is even more obvious. By far the most serious cause of present-day unemployment, dictatorship, unrest, armament expansion, and drift towards war is economic nationalism—the attempt of all sovereign nations, and particularly of twenty-six nations in Europe, to live in economic water-tight compartments, separated by unbalanced indebtedness, prohibitive tariffs, quotas, embargoes, and currency depreciation.* Yet the League has been unable to

* See article on "The Root of our Present Discontents" in THE ROUND TABLE, No. 102, March 1936, pp. 229 *et seq.*

THE LESSON OF ABYSSINIA

do anything effective to mitigate this central evil, precisely because a league of sovereign States can accomplish nothing except by the voluntary consent of all the nations concerned, a fact that was abundantly demonstrated at the World Economic Conference called by the League in 1933.

If experience has thus proved that a league of sovereign States finds it extremely difficult to alter treaties or the *status quo* by agreement in time to prevent explosion, it has equally proved that, in the last resort, the weapon that such a league must use to defeat a powerful aggressor is war. When Japan, in violation of her treaties, made up her mind to try to solve her domestic economic problems and to realise her dream of becoming the master force in eastern Asia by occupying Manchuria, the League Powers and the United States protested vehemently, but none of them was prepared to risk the war that alone might have stopped the military party in Japan from carrying out its plan. The United States was certainly not prepared for war, and the British Government, possessing no substantial fleet in the Far East, refused to take any action that might bring it into collision with Japan, unless it knew for certain that in the event of war the United States navy would also be engaged.

The Abyssinian experience has demonstrated the same truth in even more dramatic fashion. It had been possible for Japan to argue that she already had the right by treaty to keep troops along the South Manchurian Railway and that the control of Nanking over a rather lawless Manchuria was very slender. But there could be no doubts in the case of Abyssinia. Abyssinia was a member of the League and, whatever the barbarity of some of her people, the conduct of the Emperor has been exemplary throughout. As the League declared, Mussolini, in invading Abyssinia, was guilty of the clearest possible case of aggression, in violation of the Covenant and the Kellogg Pact; later he as clearly violated the convention against the use of poison gas. It was plainly a test case for the League, all the more

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so because Italy was both peculiarly vulnerable to sanctions and had exposed herself to decisive counter-action by conducting her operations on the other side of the Suez Canal.

No less than fifty League members agreed to carry out their obligations under Article 16, and impose economic sanctions against Italy. But, as the event proved, one and all, Great Britain and the Dominions no less than the others, did so with the reservation that they would not go beyond economic sanctions and that they did not mean to be dragged into war. It gradually became clear that, at any rate with a League that does not contain the United States, Germany, Japan, and Brazil, economic sanctions against a great Power lead to one of two results. Either they are ineffective or so slow in acting as to be valueless for their essential purpose, or they lead to war or the grave risk of war. Mussolini said from the start that he would not regard ordinary economic sanctions as acts of war, but he indicated that he would regard oil sanctions or the closing of the Suez Canal as acts of war which would be answered by acts of war in retaliation. Whether he was bluffing or not will never be known, and doubtless his conduct would have conformed to the strength and resolution displayed by the Mediterranean members of the League. But one and all their Governments seem to have limited their commitment by the reservation that they did not intend to be drawn into war for the sake of Abyssinia. Mr. Baldwin and Mr. Neville Chamberlain fought the general election on the cry: "We will support the League but we will keep you out of war". The Dominion Governments, so far as we are informed, took the same view. Mr. Anthony Eden, on May 6, candidly admitted that in his judgment "closing the Canal must inevitably have led to war", and that the British Government had recoiled from such a step, not because it feared what the ultimate result would be, but because of its "horror of war". Only the League of Nations Union in Great Britain and a few individuals like Mr. Lloyd George pressed

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the Government to take the risk of forcing Italy to suspend hostilities and come to a peace conference by closing the entrance to the Suez Canal to her ships.

Once Mussolini realised that the League nations were not willing to risk war, his way was clear. Provided the economic sanctions were not enough to stop him in time he could make certain of victory. The main effect, indeed, of the economic sanctions actually imposed has been to drive him to use any and every effort (including gas) to overcome the Abyssinian resistance before they could have decisive effect. Sir Samuel Hoare's own explanation of the Hoare-Laval plan is that once it became clear that collective action sufficiently decisive to stop Mussolini was out of reach, he endeavoured (in our view, by a singularly maladroit and unfortunate act) to save something for Abyssinia before it was too late.

II. THE REVISION OF THE COVENANT

WE do not propose in this article to attempt to assess the blame for the Abyssinian *débâcle*. There is no doubt that, while the Government of France consistently obstructed action, the British Government must bear a great part of the responsibility; for it ought never to have taken the initiative in September if it had not been prepared for the consequences. There was no probability that any other Government would propose the decisive action that might have stopped Mussolini, if only because the primary responsibility for the consequences of such action would inevitably fall on the British fleet in the Mediterranean.

What is more important is that we should realise that public opinion throughout the Commonwealth has been asleep to the real implications of the League undertakings. The vast majority of people regarded the League as a system for preserving peace without much risk to themselves. They did not realise that no league can preserve

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peace unless it can make changes in the *status quo* to correspond with changing conditions, that an obligation to resist aggression everywhere makes it almost impossible to change the *status quo*, and that effective resistance to aggression implies a readiness to go to war. The first question that citizens of the nations that comprise the Commonwealth and are members of the League of Nations have now to face is what it is practical for a league of sovereign States to do, and especially whether they are prepared to continue to accept as a universal commitment the obligation to resist aggression, and to make the military preparations without which they cannot effectively live up to it, and whether such an obligation is conducive to the maintenance of world peace.

Opinion in Great Britain is at the moment at sea. But there are certainly two currents. The one school says that although the collective system has suffered these disasters it is still the only alternative to a drift back towards competitive armaments, alliances and world war, that we must learn from our failures and strengthen rather than weaken our commitments, so that every member of the League may be not only militarily prepared but also known to be willing and ready to live up to its obligations under Articles 10 and 16 of the Covenant. The other says that until a more effective system for revising the *status quo* has been contrived, and until the League once more contains all the great Powers, to attempt to enforce Articles 10 and 16 against any and every nation that goes to war is simply to risk extending all local wars into world wars and inflicting the terrible evils of modern war, not on hundreds of thousands, but on millions of innocent non-combatants, and that the automatic obligation to apply sanctions against an aggressor anywhere under the Covenant should therefore be immediately revised to conform to present-day facts.

THE ROUND TABLE has been a consistent supporter of the League of Nations from its inception, and believes that

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some form of world organisation to deal with international affairs is an indispensable corrective to the anarchy of universal self-determination and the first step towards a reign of world law. But it has never disguised its conviction that no system of co-operation among sovereign States could fulfil the hopes so widely entertained of the League of Nations, and that the real foundation for lasting world peace would only exist when nations were willing to pool some part of their sovereignty and create a common organ to which, in super-national affairs, the loyalty and obedience of the individual were due. It has repeatedly warned its readers that there could be no lasting peace without continuous revision of treaties, that the use of sanctions inevitably raised the risk of war, and that "lasting peace cannot be prescribed by constantly threatening war even for collective instead of for national purposes".

Our first conclusion is that the nations of the Commonwealth ought without any delay to clear their minds as to where they stand in regard to the obligations under Articles 10 and 16, obligations which, if they mean anything, imply that they are willing to go to war to stop aggression anywhere. It is unfair to other nations, it is unfair to their own public opinion, to leave any doubt on this point. These coercive articles have always been the most doubtful feature of the League. They led to the withdrawal of the United States. They added to the difficulty of giving the German republic equality because they seemed to create collective guarantees against alterations of the Treaty of Versailles except with the consent of France. And though they were effective against small Powers like Greece, when put to the test in relation to Manchuria and Abyssinia they broke in the hands of their authors because to make them effective implied war and the League was not prepared to face war for collective ends. Moreover, in a world in which the majority of the great Powers are outside the League, the British Commonwealth, individually or collec-

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tively, cannot and will not go to war to defend China or Russia or Latvia or Austria or Germany or Italy from aggression as technically defined in the Covenant. The sooner they face these issues the more honest will be their position, and the sooner shall we be able to formulate a policy that will be effective in helping to bring stability because the world will know that we are prepared to live up to it, and the sooner will it be possible to bring the League back to vitality.

Our second conclusion is that revision of the Covenant ought to be confined to its universal, automatic coercive obligations only. The danger now is that, because universal coercive sanctions have failed in an instance in which it would have been most easy to make them effective against a great Power, people will say that the League is dead and ought to be abandoned. We take exactly the opposite view. We think that once the automatic, universal obligations of Articles 10 and 16 are dropped or amended so as to make them permissive instead of mandatory, the League—the only League that can function so long as all nations cling to national sovereignty, the League that rests on the same kind of principles as the British Commonwealth itself, the League that can act as a focus for world opinion, for conciliation, for free co-operation, for common action when there is agreement upon action, and as the constant corrective to the exaggerated nationalism that is the central evil of the contemporary world—may revive and begin to gain real authority once more. In this also we are expressing no new opinion. In an article published in the issue of September 1935, and written before Sir Samuel Hoare's speech at Geneva, we wrote:*

The League must be restored as a conference system of all the nations before we try to make it into the universal international policeman. . . . It is imperative to preserve it in existence and to restore its universality even at the price of abandoning that

* See THE ROUND TABLE, No. 100, September 1935, p. 671.

REGIONAL SECURITY

principle of automatic obligation to take sanctions which is the main deterrent to membership. . . . Such a league of all nations may not prevent all wars, but it may localise them.

This was also General Smuts' view when eighteen months ago he warned his hearers to keep the League as a league of peace and not to turn it into an international war office.

III. REGIONAL SECURITY

BUT though we should make the League an instrument for international co-operation, freed from automatic obligations that can only be made effective by war, we are still left with the problem of security. If a universal and automatic system of collective security has broken down, is it true that we must drift back to the complete anarchy of 1914? We do not think so. We think that security should be organised on a regional basis, within a League shorn of automatic, universal and compulsory sanctions. Let us face frankly what this implies. So long as national sovereignty is retained in full effect the first condition of stability in international relations is that the nations should know and make plain the things for which they are prepared to fight. This may sound brutal, but it is the only basis—precarious though it is—upon which any kind of order can be maintained in the anarchy inherent in a world of sovereign States. It has been the failure of the League members to realise that any system of universal security necessarily rested upon the readiness of its members to go to war, and their unwillingness to face war when the test came, that have led to the *débâcle* of the League in both the Manchurian and the Abyssinian episodes.

What are we prepared to fight for now? What are we not prepared to fight for? Those are the questions we must ask ourselves and answer before any effective regional security system can be constructed, inside or outside the League.

So far as the nations of the British Commonwealth are

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concerned the position seems to be still where it was when it was discussed at the Imperial Conference of 1926. They are each prepared to defend themselves from external attack. They each admit some obligation to come to the assistance of the other parts of the Commonwealth if they are attacked from outside, provided they have been consulted and have consented to the general foreign policy being pursued, and provided each is the sole judge of the action it should take, if any, in each particular case. But this is only an academic way of putting the problem. The danger is not that of deliberate attack on any individual part of the empire but the danger arising from the fact that wars may break out elsewhere and spread like a forest fire, or from the alliances or military commitments into which some parts of the Commonwealth may be drawn in the hope of providing for their own security or preventing war.

The reality of the present international situation is roughly as follows. As we have repeatedly pointed out in this review, Europe has been stabilised since the Armistice, not by the League of Nations, but mainly through the complete military preponderance of France and Poland and her Little Entente allies in eastern Europe, and through the unilateral disarmament of Germany imposed by the Treaty of Versailles. This system lasted from the rejection of the Anglo-American Treaty of Guarantee to France ^{era} 1920 until the rearmament of Germany under Hitler. Equality for disarmed Germany through the disarmament of her neighbours had long been pressed on France by Great Britain and the United States at the disarmament conference. But it failed because France would not agree to it without guarantees for security, that is to say, undertakings to go to war in her defence, which the United States and the Dominions would not give at all and which Great Britain would not give except in the limited Locarno form. No sooner, therefore, did Germany begin to rearm, having left the League and the disarmament conference on the ground

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that she would not get equality there, than France set to work to try to extend her alliance system, in order to keep such a preponderance of power as would make it impossible for Germany or the other defeated Powers to alter the *status quo* by force. She first composed her quarrel with Italy (incidentally probably agreeing informally to give her a free hand in Abyssinia) so that each could move the forces they had previously maintained on the Franco-Italian front to the German front. Russia—moved by her anxiety about National Socialist Germany—then joined the League, and France and also her ally Czecho-Slovakia initialled military treaties of mutual assistance with Russia.

This precipitated the recent Locarno crisis. Hitler contended that the unilateral demilitarisation of the Rhineland, which had been guaranteed by Great Britain and Italy, had been accepted by Germany at Locarno as security against another invasion of the Ruhr, but that once France entered into a military pact with Russia the conditions were fundamentally altered and Germany could no longer be required to keep open the back door to her most vital industrial regions. He concluded that Germany would never be able to recover her sovereignty in the Rhineland by consent, and he therefore presented her neighbours with a *fait accompli*, in clear violation of the text of the Locarno treaty, by moving her troops on March 7 into the demilitarised zone. Great Britain was placed in a position of great difficulty, being a guarantor of that treaty but feeling that she could not go to war to prevent Germany from occupying her own territory, as France was inclined to demand. Partly in order to resist this demand she felt constrained to re-affirm her obligation to come to the assistance of France or Belgium in the case of unprovoked aggression, and to strengthen it by "staff talks", while making it clear that the obligation did not arise in the event of a war that sprang out of the treaties between France and any other Power. This renewed guarantee is in effect a modern form of the old guarantee of Belgian

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neutrality, and may be permanent because it conforms to Great Britain's own vital interest that no European Power should dominate France or Belgium.

What is fundamentally happening, of course, is that Europe is passing from a system of stability by a French preponderance to a system of stability by balance, which is inevitable once Germany obtains the position of power and equality inherent in her size and national vitality, though the composition of the new regional balance is not yet defined, and there are probably certain adjustments to be made in the *status quo* before Europe is likely to settle down.

The situation has been complicated by the Abyssinian crisis. The ultimate motives for Mussolini's adventure are not yet clear. Partly, no doubt, it has been the desire for extended opportunities for colonisation and the exploitation of raw materials for overcrowded Italy. But partly also it has been the long-planned Napoleonic dream that Italy should become the heir to the British Empire in the eastern Mediterranean. Once Italy has a navy that can prevent the passage through the central Mediterranean of anything less than the major British fleet, and once she has aerodromes and roads in Libya and an army, white or black, in Abyssinia, she has only to wait for a crisis in which Great Britain is so involved that she has to move her main fleet to the North Sea or the Far East, and she may have an opportunity to seize the Sudan, Egypt, the Suez Canal, Palestine and the Arabian hinterland as the beginning of a new Roman Empire. So long as she was afraid that Germany might step into Austria and therefore bring her formidable army to the Brenner Pass, Italy could not move. But the adherence of Great Britain to the Stresa Front made her more secure in Europe, and despite all the efforts of the League she went ahead. The fact that she has succeeded presents a very grave problem to Great Britain and Australia, New Zealand, India and East Africa; for she stands menacingly alongside their mutual communications through the Red Sea.

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The pivot of the European complex at this moment is Austria. Germany will probably succeed in re-fortifying the Rhineland, because Great Britain will certainly not go to war to prevent her and it seems equally certain that France and Russia will not do so alone. But once the Rhineland is fortified the power of France to intervene in eastern Europe will be greatly lessened. Austria herself is, at present, inherently unstable. Her population is German, but is divided between socialists, Catholics, and Nazis. The majority would probably prefer independence, if it were compatible with a solution of the economic problem of keeping alive a nation of seven millions in the middle of Europe, over a quarter of whom live in one city, Vienna. But they would almost certainly prefer a German solution to subjection to their traditional enemy Italy. At the moment Austria is governed by a dictatorship of the Right backed by the Heimwehr militia, subsidised by and largely dependent upon Italy. The *Anschluss* is forbidden by the Treaty of St. Germain, not because any one objects to the reunion of Austrian Germans and German Germans, but because the incorporation of Austria in Germany would draw the German army to the Brenner, would upset the strategic situation in Europe by bringing Germany alongside Hungary and so to a powerful position in the Balkans, and would threaten the stability of Czecho-Slovakia, with its large German and Slovak minorities. It would automatically make Germany the dominant force in central Europe and end the French system of preponderance. As the strength of Germany increases, the pre-occupation of Italy with the Balkans and Austria must once more increase, and the precision of the Franco-Russian military engagements must tend to increase also.

But Europe no longer stands alone. As a result partly of air communications, partly of the world struggle between communism and fascism, Japan is being drawn into the Eur-Asian balance. Russia is afraid of a simultaneous attack by Germany and Japan. Japan is afraid that if

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Russia goes on developing her already enormous military strength she may eventually defeat the Japanese ambition to dominate the Far East, and may even become master of China in place of Japan. If she could make sure of a simultaneous attack by Germany she might possibly attempt to drive Russia back to Lake Baikal before it was too late. Germany is afraid of the growing power of the vast Slav and Bolshevik mass to the east, a power that can fight in two ways, with armies and aeroplanes and with communist propaganda behind the lines.

It is quite impossible at the moment to forecast the future alignment of forces in Europe and the Far East. It depends partly on the armed strength and the political aspirations of the various Powers themselves. It depends partly on whether the necessary revisions of the *status quo* in its three main aspects, European frontiers, the colonial question, and the relaxation of economic nationalism, can be effected without war in the next few years. If it can, and if a Eur-Asian regional balance can replace the recent system of preponderance without an explosion, the present war clouds may pass away, a limitation of armaments may be reached and the League may revive.

IV. QUESTIONS FOR THE COMMONWEALTH

BUT from the point of view of the British Commonwealth the most important question raised by the breakdown of the universal, automatic system of collective security implied in Articles 10 and 16 is a different one. In the development of regional security in Europe and the Far East ought Great Britain to form part of the regional balance of power itself, as she did increasingly from 1904 onwards, or ought she, if possible, to detach herself from it, except for the guarantee to France and Belgium against unprovoked aggression? To some extent, of course, the answer will depend upon whether a stable balance of forces

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can be produced in Europe without her. But it depends also upon the views of the other members of the British Commonwealth and upon the question whether automatic military commitment to a regional European system is compatible with the existence of the Commonwealth.

Broadly speaking the arguments for the two alternatives, both of them within a revised League system, seem to be as follows. The first alternative is that Great Britain, with or without the Dominions, in the hope of preventing war in Europe, should form part of a League combination pledged to maintain the present European frontiers, including that of Austria, even at the cost of war, except in so far as they can be altered by the consent of all immediately concerned. The argument for this is that if Germany is allowed to absorb Austria, or by threats of violence to make herself or her friends dominant in central Europe, it is only a question of time for a repetition of the power politics and tension and military time-tables that culminated in the tragedy of 1914, and that the best way to prevent it is for everybody to make it clear that any attempt to alter the *status quo* by force spells immediate collective war. Such a system, however, is inherently unstable, partly because it makes revision almost impossible and therefore does little or nothing to remove the grievances and repressions that make for eventual explosion, and partly because it is very difficult to create a collective military alliance that is both watertight and overwhelmingly preponderant. Moreover, if a renewed alliance system of this kind failed to maintain peace, and a war broke out between the armed *status quo* group and the armed expansionist group of Powers, it would inevitably become a world war; the Dominions and the United States would eventually be dragged in, if only because they could not afford to see the British Commonwealth disrupted and the British navy destroyed, and the expansionist dictatorships become the heirs of Great Britain and France in the Atlantic and the Pacific.

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The second alternative is that Great Britain, while playing, with the Dominions, an active part in a non-sanctionist League, should move back towards the American position, keep detached from automatic military commitments and the military balance of Europe, save the defensive commitment already mentioned, and become part of an informal democratic group that would possess immense defensive strength if it stood together, and would be unquestionably capable of resisting any attempt by the dictatorships to trespass across the major oceans of the world. That would be, in effect, to attempt to restore in a new form the system whereby world war was prevented during the nineteenth century. There was no world war between 1815 and 1914, in contrast to the constant world wars of the seventeenth and eighteenth centuries, largely because there was a paramount British fleet. So long as no European Power was able to challenge that fleet or invade Great Britain, and so long as Great Britain respected the Monroe Doctrine, there could be no world war, though there might be local wars. But as soon as a Power—Imperial Germany—arose that was willing to challenge the British fleet, Great Britain was forced to abandon her detachment, the world war ensued, and the United States was eventually drawn in. The situation of the nineteenth century cannot now be reproduced because the British navy is no longer supreme. But a combination of the nations of the British Commonwealth, the United States, and the South American republics would be far stronger in common defence even than the British navy was before the war. No European or Asiatic Power could think of attacking a group possessed of such vast financial and naval and economic resources and controlling all the main strategic waterways of the world. It could certainly prevent world war and preserve democracy and peace throughout its own region, it could exert immense influence for peace and for fair settlements of local wars elsewhere, and it might become a centre of

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gravity around which a larger league of democratic nations might gradually develop.

Such a system, of course, creates no guarantees against the outbreak of war in Europe or in the Far East. But in the present circumstances, amid dictatorships and universal rearmament, it does not seem possible that any such guarantees can be created at all. Eur-Asia may get through its period of readjustment of power diplomacy without war, or war may be the instrument of readjustment. And if war in Asia or eastern Europe does come, while the danger of its extension into a world war is clearly great, it is not inevitable that it should involve Great Britain or western Europe, especially if a powerful "oceanic" group exists outside.

There are, of course, great difficulties in the way of such an oceanic arrangement. It could not rest on formal treaties but would have to grow out of events. It could not happen unless Great Britain were free from all automatic military commitment in Europe and Asia, except for a limited defensive guarantee to Belgium and France, to which she alone would be committed. There are also difficult problems in the Mediterranean, which is a local sea for two great European Powers but at the same time a vital ocean highway for the nations of the Commonwealth. The system could not be effective unless the nations of Europe knew that a direct attack on Great Britain would rally the rest of the oceanic group to her support. The United States would have to emerge from her attitude of total isolation of to-day into a greater interest in world affairs, involving an extension of the kind of commitment involved in her unilateral Monroe Doctrine; she would have to recognise that total isolation might be the most certain method of becoming involved in another world war, while limited commitment might be the surest way of preventing such involvement and preserving peace and democracy over half the world.

These questions may seem remote in some ways to-day.

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But opinion is likely to grow rapidly in the next year or two under the impact of the armaments race and the changes that are likely to take place in the European balance in the near future. The nations of the Commonwealth must face the new realities, including the weaknesses that have been revealed in the present structure of the League and the fact that in a world of sovereign States security depends upon preparedness to undertake obligations that may involve war, either in a universal League or in some lesser regional combination.

THE CO-ORDINATION OF DEFENCE

I. BRITAIN'S DEFENSIVE TASKS

FOR the whole British Empire, no less than for the United Kingdom herself, the crisis in international affairs presents an urgent problem in defence. Collective security, which has not yet and may never be tested to the point of collective war, has been tested to the point of economic sanctions of wide scope but dilatory effect, and the experience is forcing us to reconsider the foundations of our international policy. An earlier article in this number of *THE ROUND TABLE* has discussed the wider issues that are raised, and there is no need to review them again here. Whichever choice we make, whether we press forward towards the objective of universal collective security or set out to limit our automatic commitments to those that conform with our immediate interests, the circumstances of the world to-day demand a big effort to bring our defences into proportion with our obligations and our risks. That the universal obligation to impose sanctions against an aggressor requires a high degree of defensive preparation is self-evident; it has been the consistent view of *THE ROUND TABLE* that for a great Power there could be no such thing as effective economic or financial sanctions that did not imply a serious risk of war. The failure of the Government and of the general public to face that fact in time has been one of the main causes of our present difficulties. On the other hand, it is no less certain that a policy of limited isolationism, that is to say, of keeping the machinery of the collective system as a means of localising war and preventing it from developing into

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a world war, requires as an elementary condition a well-armed Empire. No great country has pursued more persistently the policy of insulation from war than the United States; no country has been driven by its history more inexorably to the conclusion that powerful defensive armaments are an essential (yet even then not necessarily an effective) ingredient in the insulating material.

The heightened needs of imperial defence are in the first place a matter of concern for the United Kingdom, as the country of the British Commonwealth that lies closest to any of the world's danger spots. But her defensive problems immediately give rise to defensive problems in the other self-governing countries of the Commonwealth, for two main reasons: first, because the British collective system of security is still a reality, whatever may be the future of the world system; second, because any weakness or preoccupation of the United Kingdom must inevitably add to the defensive necessities of the Dominions. For instance, her Mediterranean anxieties of the past six months have gravely depleted her naval establishment in other quarters; if the danger grew equally acute in north-west Europe she would be almost paralysed as a first-line instrument of defence for the more distant British countries. Again, the military imperialism of Japan has once more exposed the fact that the British navy is incapable, even if matters grow no worse in Europe, of assuring security for all British interests, both in the Atlantic and North Sea and in the Pacific, not to mention the vital trade route through the Mediterranean and the Suez Canal. This fact is as old as the present century, but the naval threat in the Mediterranean, the possible revival of Germany as a naval Power, and the breakdown of the Washington system of balance in the Pacific, which replaced the Anglo-Japanese alliance, have rapidly heightened the significance of our comparative weakness in the Far East.

Most of the tasks of defence that face the United Kingdom are tasks of imperial defence in the widest sense.

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When the Imperial Conference of 1923 laid down principles on which the defence of the Empire was to be based, the first of them was that each of the self-governing members of the Commonwealth would be primarily responsible for its own local defence. But not only is local defence intimately bound up on the technical side with extra-territorial security; the dangers that may threaten the Empire are not for the most part those of direct territorial aggression, but rather those of becoming involved in world war over more general—perhaps moral—issues. Hence even the local defence of the different parts of the Empire must be regarded as an integral element in the whole scheme of imperial security, whether seen from the point of view of the United Kingdom or from that of the Dominions. The following summary of our defensive burdens in the Empire is drawn up with an eye to the task that faces the United Kingdom particularly, but the whole of it is relevant to the task that faces any of the British countries. The same tabulation stands whether or not we accept the universal obligations implied by a world-wide system of collective security, and it stands whatever our special regional commitments may be. For the effect of collective undertakings is not to change the nature of our strategic tasks but, first, to shift the relative emphasis upon the different items, and, second, to change the conditions under which we might be called upon to perform those tasks and the probabilities of our having to do so.

(1) The local defence of the United Kingdom, each of the Dominions, India and the Colonies, including anti-aircraft defence and the defence of the North-West Frontier.

(2) The protection of shipping—including convoys and the special defence of narrow passages like the English Channel, the Straits of Gibraltar, the Suez Canal, or Singapore—against a hostile naval or air Power.

(3) On the assumption that there can be no effective or complete defence against air raids on cities, ports or other economic ganglia, the ability to retort adequately in kind to such bombing.

(4) Ability to muster in the North Sea, east Atlantic and

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Mediterranean sufficient naval and air force to defend ourselves against an attempt to frustrate our protection of shipping and the narrow waterways by means of an attack on our naval and air bases, strong points, or main fleet.

(5) Ability to muster on the defensive line from Singapore to New Zealand sufficient naval and air strength, not to take a dominant part in the power politics of the China Seas and the western Pacific, but to defend that line and to make any encroachment on our vital interests north and east of it a hazardous risk.

(6) Ability to make an effective contribution in the critical opening days of a continental European war, into which we found ourselves drawn by honour or vital interest; and, if deadlock were reached in those opening phases, ability to mobilise quickly our resources of men, money and munitions so as to give our participation its maximum weight.

The item in the list that raises the greatest amount of controversy is the last. Expert opinion differs radically with regard to Great Britain's capacity to furnish valuable assistance by land to a continental ally in a collective war. Some people argue, assuming France and Germany to be the combatants, that (say) five mechanised divisions, rapidly brought to the front, would completely turn the scale. Others, laying stress on the hazards of mobilisation and transport through a bottle-neck in these days of air-power, declare that British land forces, if transportable at all, could not be brought into action on a European front for at least a fortnight, by which time, in the alleged opinion of continental general staffs, the first and most vital crisis of the war would be over and the Empire's contribution would be much more effective if concentrated on other arms and other theatres of war. For our present purposes, this question must remain in suspense, but the true answer is vital to the organisation of the whole British army system; for if the intervention of mechanised troops on a large scale in continental warfare is contemplated, then the actual organisation—the Cardwell system of interchange between home and oversea battalions—is entirely unsuitable, since the training for tank warfare in Flanders must be completely different from the training for garrisoning the

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Suez Canal defences or fighting with cavalry and small arms on the North-West Frontier of India.

It will be noted that the conception of the Empire's defensive obligations, on which the above list of duties is based, rules out of court the possibility of war with the United States. Not merely would it be absolutely impossible to prepare for such a contingency in addition to our other defensive liabilities; an Anglo-American conflict is entirely contrary to our world policy, and could only come about through a complete breakdown of an understanding on which the citizens of the British Empire have pinned a great deal of their faith for the future peace and security of civilisation.

Each group of defensive obligations calls for its own kind of technical preparation, but behind them all, and incidental to every one of them, lies a vital economic need. The industry of the Empire—both capital and labour—should be capable of supplying adequately and efficiently our peace-time defensive requirements, and of rapidly expanding or transforming itself on the outbreak of war to serve our fighting objective. Similarly it is essential for the proper defence of the Empire that it should possess a strong and efficient mercantile marine and civil air service. By comparison with other Powers we have fallen far behind in the stimulation and protection of these indispensable auxiliaries of imperial defence—a danger to which the threat to British shipping in the Pacific once more calls urgent attention. In these days of air power, moreover, the geographical location of our vital industries and centres of commerce is a matter of first-class defensive importance. In addition, for an island country like Great Britain, incapable of self-sufficiency in foodstuffs and raw materials, the problem of maintaining economic reserves against the contingency of war must enter prominently into our defensive calculations.

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II. AIR AND SEA POWER

ALTHOUGH our defensive needs may be analysed into categories on paper, the imperial defence system must stand as a single whole. If it fails at one point it is gravely weakened throughout. For example, the vital lines of economic communication in the Empire cannot be secured against all contingencies unless we can at one and the same time defend the eastern front line from Singapore to New Zealand, protect shipping in the Mediterranean and its narrow adits and in the Channel, ward off surface and submarine commerce-raiders on the high seas, put up a defence against the bombing of our ports, and if necessary retaliate in kind against such air bombardment. The strength of a defensive chain is always the strength of its weakest link. Hence it is false to contrast air power with sea power as the vital necessity for imperial defence to-day; for both are vital. The need is not to decide which is the more important, but to bring all three services into the same field of vision.

The relations between air and sea power should not be considered as competitive, but as complementary. Those relations depend partly on technical factors, like the moot question of the vulnerability of giant battleships to air attack; but much more important is their dependence on general strategy, to which the time-factor is the key. The time-factor of air power is swifter than that of sea power—not indeed always, but in certain circumstances—because it may decide the issue of the war much sooner. It is sometimes asserted that air power cannot force a decisive result. But this is surely to make the out-of-date assumption that war is fought over occupation of territory, whereas modern war, of the kind that is contemplated in assessing the needs of imperial defence, is fought for general national interests or ideals between whole nations. Hence the effect of war on the nation as a whole is decisive. Air bombing is just as capable as naval blockade of

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compelling a nation to give in. The difference is that it may achieve this purpose far sooner. It is said that Great Britain, if totally blockaded at sea, could not last out a fortnight. But even at the height of the submarine campaign a considerable proportion of ships got through, while Germany lasted for two years on iron rations. The destruction of the London docks by air bombing would destroy England's means of life far more quickly. It follows that speed of mobilisation and counter-attack are the first considerations in air power. If we are sufficiently prepared in the air, and in anti-aircraft defence, to prevent an adverse decision within a short space of time, the power of the navy begins to tell, and is indeed essential to the further continuance of any campaign. If the war is not in Europe but, for instance, in the Pacific, the possibility of instant decision through air action is much more remote, and the time-factors of air and sea power more nearly coincide.

Nowadays, however, the ships themselves and their bases are exposed to attack, not only from other ships, but also from the air. The time-factor is again vital; for if swift and concentrated action could destroy an enemy's bases his fleet would become valueless. This has been brought home to us by the contingency of an assault on our defences in the Mediterranean. If Italy—as has been suggested in some quarters—could destroy Malta and Alexandria by bombing, even at great loss of planes and men, without our being able to render immediately any effective retort or adequate defence, our naval power in the Mediterranean would be crippled. Although this supposition is probably a gross exaggeration, it is clear that air defence and air counter-attack are an essential weapon of naval strategy, as important to our ships as their speed, their guns and their armour-plating. The reaction on naval technique cannot be summed up in a word. The aeroplane fights its own kind; otherwise, it is best regarded as a projectile, a peculiarly responsive,

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powerful and far-ranging projectile, but one with limitations of its own. The potentialities of air bombardment are not to be measured simply by the range and speed and carrying capacity of the aeroplanes available; for the volume of bombardment per unit of time, or per unit of ground organisation, is obviously far less if the target is 400 miles away than if it is 100 miles away from the air base. In this light, armies and navies appear as the means of advancing the effective air base as close as possible to the enemy's vulnerable points, while preventing him from bringing his air bases closer to our own danger spots.

III. THE C.I.D. AND THE NEW PLAN

ALL these considerations suggest that co-ordination is the first technical need of our defensive system. The present plan of co-ordination centres upon the Committee of Imperial Defence. This is a purely advisory committee under the chairmanship of the Prime Minister, who is authorised to call in "such other members as, having regard to the nature of the subject to be discussed, he may from time to time summon to assist him". In practice the C.I.D. generally includes the three service Ministers and their chief professional advisers, the Chancellor of the Exchequer, the Secretaries of State for Home and Foreign Affairs and for India, the Dominions and the Colonies. Representatives of the Dominions are called in from time to time, and certain of the Dominions have appointed liaison officers to the secretariat of the C.I.D. In actual practice, the main work of the Committee is done through sub-committees, of which the most important are the Chiefs of Staff sub-committee, the Man-Power sub-committee, and the Principal Supply Officers sub-committee. The last-named has been thus described by Field-Marshal Lord Milne :*

It practically constitutes the nucleus of a peace-time Ministry of Supply and Munitions, and is the only machinery in existence

* See article in the *Nineteenth Century* for March 1936.

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for planning industrial mobilisation and for allocating the resources of the nation to meet the war requirements of the three fighting services.

Important as that function is, it is subordinate to the business of co-ordination of defence policy for which the Chiefs of Staff sub-committee is responsible. A committee under the chairmanship of Lord Salisbury, on whose findings the present practice of the C.I.D. is based, laid down in 1924 that "in addition to the functions of the Chiefs of Staff as advisers on questions of sea, land, or air policy respectively, to their own Board or Council, each of the three Chiefs of Staff will have an individual and collective responsibility for advising on defence policy as a whole, the three constituting, as it were, a super-Chief of a War Staff in Commission".* The preparatory work involved before any question can come before the Chiefs of Staff sub-committee is done by a joint planning committee in which officers of the naval, general and air staffs take part.

On the surface, the system of co-ordination thus provided might seem fully adequate to the task. But it has been subjected lately to damaging criticism along two main lines. The first is that the Chiefs of Staff sub-committee has not completely fulfilled its duty to advise the Cabinet on our defence policy as a whole. Lord Trenchard, who was a member of that sub-committee for 6½ years, wrote in a letter to *The Times* :†

I fear that, under pressure of work and from other causes, unanimity has too often been reached by tacit agreement to exclude vital differences of opinion, to avoid issues on which such differences might arise, and to restrict the scope of the committee's reports to matters on which agreement can be reached by "give and take".

If this stricture is well founded, the co-ordination of policy has been hollow indeed. The second line of criticism is that in spite of the C.I.D. system the main link between the

* Cmd. 2029.

† December 16, 1935.

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services and the Cabinet is still through the First Lord of the Admiralty and the Secretaries of State for War and Air, individually, and that these Ministers, especially in matters of finance, regard themselves as spokesmen of separate services with separate interests to defend, and are so advised by their technical staffs. This is a point that is scarcely subject to proof, but it is clearly an inherent danger of such an organisation as has been described, in which the defence services are represented in the Cabinet by three separate Ministers, and in which the main instrument for co-ordinating policy, the Chiefs of Staff sub-committee, is only occasionally presided over by its nominal chairman, the Prime Minister, and therefore usually consists of three distinguished officers whose first duty is to act as departmental heads of their own separate services.

Moved by a wave of public and parliamentary criticism, the Government announced in February a plan for strengthening the co-ordination of defence. The Prime Minister began by stating that the Government had set up last July a special ministerial sub-committee, known as the Defence Policy and Requirements Committee, to keep the defensive situation as a whole constantly under review, so as to ensure that our defence arrangements and our foreign policy were in line. The Prime Minister, under the new plan, would retain the chairmanship of this committee and of the Committee of Imperial Defence, but a special Minister would be appointed to act as deputy chairman, and to undertake "the general day-to-day supervision and control on the Prime Minister's behalf of the whole organisation and activity of the Committee of Imperial Defence". This Minister would be chairman of the Principal Supply Officers sub-committee, but not normally of the Chiefs of Staff sub-committee, though he would have the right to consult personally with the Chiefs of Staff and to convene their sub-committee under his chairmanship whenever he or they thought desirable.*

* Cmd. 5107, pp. 14-15.

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Later Sir Thomas Inskip was appointed as the first Minister for the Co-ordination of Defence.

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ALTHOUGH this reform appeased some of the parliamentary critics, a body of expert opinion still discerns certain grave defects in the system. In the first place, the Chiefs of Staff sub-committee continues much as before, and nothing has been done in answer to Lord Trenchard's accusation. It is said—with what truth it is not easy to tell—that our spokesmen in the present Anglo-Egyptian negotiations are seriously handicapped by the absence of any authority that can definitely instruct them what is our defence policy in relation to Egypt, and what facilities are necessary for each of the three services in order to carry out that policy. Secondly, the arrangements for presenting estimates and allocating finance—obviously a vital point in our defence scheme as a whole—are apparently to remain unreformed. Even Lord Milne, one of the leading defenders of the present system, has written * that

the annual estimates are drawn up by the three service Ministries independently, and certainly, until very recent years, no attempt has been made to correlate the demands for money by the three services with the rôles they were expected to fill in imperial defence.

Thirdly, it is argued that the Co-ordination Minister is a mere supernumerary in the system of connection between the Cabinet and the services, having only a rudimentary staff of his own. At the outset, so the Prime Minister stated on March 19, his staff would consist of a civil servant of the rank of principal assistant secretary and a private secretary. In addition, he would be able to make use of the secretariat of the Committee of Imperial Defence. Any further staff required must be left for consideration in the light of experience.

* *Loc. cit.*

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The critics have certain remedies to propose for these defects, which, if proved, would cumulatively form a grave weakness in the defence co-ordination system. The Co-ordination Minister, they maintain, should be permanent chairman of the Chiefs of Staff sub-committee, just as he is of the Principal Supply Officers sub-committee. There is no greater obstacle in the one case than in the other, and the need is even more vital. They demand, furthermore, that he should be the chief adviser of the Cabinet and of the Chancellor of the Exchequer on the allocation of finance between the different services and among their various branches. In order to fulfil this and his other tasks, he should be furnished with an ample secretarial and technical staff, which need not, of course, be distinct from the staff of the Committee of Imperial Defence. We shall never deal adequately, so the argument runs, with the problem of defence co-ordination unless we start from the top—the unity of defence policy—and work downwards, instead of working upwards from the separate arms and trying to superimpose a sketchy system of collaboration at the top. To those who object that the effect of these proposals would be to turn the Co-ordination Minister into a Minister for Defence, and the three service Ministers into under-secretaries, the answer is given that if that were indeed the ultimate outcome it would be the wise and logical outcome, as far as general defence policy is concerned.

The sweeping nature of that conclusion is a measure, not only of the gravity of the problem, but also of the caution with which we must approach its consideration. Great weight must be given to the argument that responsibility for the whole of our national defence arrangements is too vast a burden for one Minister. To the man-in-the-street, unaware of the political and administrative difficulties, the proposal to have a single Ministry of Defence appeals by its simplicity and by its appropriateness to the nature of the problem. But if that were eventually to prove the solution on the political

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side, there would have to be equally far-reaching changes on the technical side. For instance, the main defence policy committee (at present the Chiefs of Staff sub-committee) might well be loosed from its departmental preoccupations, and be associated only with the Co-ordinating Ministry. A further step in the same general direction would be to constitute a Ministry of Defence Supply, for whom the Principal Supply Officers would jointly form the chief technical staff; this Ministry would be responsible for all aspects of industrial co-ordination. If changes were made on those lines, the ministerial representation of the three different services by under-secretaries would be a logical element in the whole scheme.

These proposals, however, are indeterminate in detail even in the eyes of those who most strongly urge a thorough-going reform of our existing system. The common man can hardly be expected to make up his mind upon them. But he recognises, as all of us must, that we are only just beginning to tackle the problem of defence co-ordination; he suspects, moreover, that the underlying difficulty is the sectional training and interest of the service officers mainly concerned. The Imperial Defence College was an invaluable start towards the training of a civil and service staff in the problems of imperial defence as a whole, and its results are going to be more and more widely felt as time goes on. The ideal would doubtless be for every service officer who looked for high promotion to have as a necessary qualification a period of training with an arm other than his own, either in a staff college or in the field. The problem of co-ordination at the top would then be far lighter.



THE “STABILISATION” OF EAST ASIA

I. THE CHANGE OF GOVERNMENT IN JAPAN

FOR the second time in four years a Japanese Ministry, supported by a majority in the Diet, has been overthrown by assassination. On May 15, 1932, Prime Minister Inukai was shot down and killed in his official residence by a band of six young naval officers, led by a lieutenant, and eleven ex-students of the Military Academy. On February 26 of this year Prime Minister Admiral Okada was likewise attacked in his official residence by a body of troops about to entrain for Manchuria, and narrowly escaped death by hiding in a cupboard; his Finance Minister, Mr. Takahashi, and the Keeper of the Privy Seal, Admiral Saito, were, however, killed by the rebels, and when he at last managed to escape from his hiding-place his resignation from office was accepted by the Emperor.

The Japanese public reacts in a peculiar way to events of this kind. It is not that public opinion is negligible in Japan—far from it—or that the Japanese as a people are easily intimidated by violence; it is rather the existence of an attitude that accepts “patriotic” assassination as an *ultima ratio* of political life. In England, if Mr. Baldwin were to be shot at No. 10 Downing Street by a band of Sandhurst cadets, the general reaction of the public would be: “Let us, whatever our party differences, rally in support of properly constituted authority against this monstrous attack”. In Japan it is rather: “The Government must have been guilty of a grave dereliction of duty to have aroused such strong feeling in patriotic young

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officers; at such a time as this we cannot allow ourselves the luxury of parliamentary government, but must look to the leaders of the fighting services, who alone are superior to the corruption of party politics”.

The main object of the outbreak just over two months ago was to prevent the effective return to power of the Minseito party—and it has prevented it. This fact has been obscured in the presentation of news to the British public by commentators who, having discovered that the government of Japan is not a pure parliamentary democracy, have gone to the opposite extreme and assume that the political parties of the Diet are of no importance at all. Japan, however, is by no means yet a totalitarian State, and the conflict of parties in the Diet is a very real one; the political life of Japan is to be compared, not to that of present-day Nazi Germany, but rather to that of pre-war Imperial Germany, where there was a similar system of parliamentarism with a plurality of political parties but without full control of the executive. In Japan, as is well known, the army and navy have great influence in the shaping of national policy, partly because the supreme command of these services is reserved as an imperial prerogative outside the control of the Diet, and partly because of the rule by which the War and Navy Ministers in the Cabinet must be general officers on the active list. But this state of affairs does not mean simply, as is often supposed, a tug-of-war between fire-eating militarists and pacific civilians. The situation is much more complicated, and cannot be properly understood without reference to the conflict between the two major parties of the Diet—the Minseito and the Seiyukai.

Broadly speaking, the Minseito is the party of the shipping interests and of the industrialists concerned with export trade, especially the Osaka textile manufacturers. Since these interests aim at reducing their costs of production in order to win foreign markets, the party seeks economy in state expenditure and is unwilling to aid

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agriculture either by protection or by subsidy. Further, since it stands for world-wide trade expansion, it favours a pacific and conciliatory foreign policy and avoidance of large and costly commitments on the mainland of Asia. It is thus disposed towards "liberalism" both in domestic and in foreign affairs. At the same time it advocates the maintenance of a strong navy for the security of the country and its shipping.

The Seiyukai, on the other hand, combines two political forces hostile to Minseito liberalism: first, the agrarian interests, which tend to be sacrificed for the sake of export industries, and second, a group of big financial and heavy industrial interests which are primarily concerned either with a protected home market or else with capital investment enterprises in Manchuria and China. This party stands for economic nationalism and for a "positive" or coercive continental policy, contrasted by its exponents with the "negative" conciliation policy of the Minseito.

It goes without saying that the army stands nearer to the Seiyukai than to the Minseito. The grievances of the impoverished rural classes make themselves heard in the conscript army and in its officers' corps (more loudly, indeed, than in the Seiyukai), and the strategic and prestige-political aims of the army chiefs on the Asiatic mainland converge with the economic purposes of the business groups associated with the Seiyukai. The navy, on the other hand, inclines towards the Minseito; for, being a service with a small specialised personnel, it is hardly affected by the agrarian unrest that pervades the army, and, being professionally devoted to a doctrine of the primacy of sea-power, it is generally opposed to the schemes of the army for expansion on the mainland. However, there is no such conflict between the navy and the Seiyukai as there is between the army and the Minseito; for both parties are agreed on the need for a powerful navy, whereas the Minseito stands for a clipping of the wings of the army and reduction of its expenditure.

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But, whichever party is in power, there must be a War and a Navy Minister in the Cabinet, and for this purpose a general and an admiral must be persuaded to join the Government. If no qualified person will consent to serve in either of these offices, a Cabinet cannot be formed, and on any issue, therefore, on which the opinion of one of the services is strong and united it can exert very great pressure on the dominant political party. But the government of the country could not be carried on if the service chiefs constantly refused their co-operation, and in practice matters are usually arranged by compromise, so that even a Minseito Cabinet gets its War Minister from among the generals. The position of a Minseito War Minister is, however, an extremely difficult one, and he must be exceptionally clever if he is neither to be at odds with his Cabinet colleagues nor to lose his popularity with the officers of the army.

In the last seven years there have been three general elections in Japan; the Minseito obtained a majority early in 1930, the Seiyukai in the spring of 1932, and the Minseito again in the elections three months ago. In 1930-31, Japan was governed by a Cabinet with the Minseito party leader (Hamaguchi at first, and later Wakatsuki) as Prime Minister, Baron Shidehara as Foreign Minister, and General Minami as War Minister. Minami strongly opposed Shidehara's policy of conciliation towards China, and went so far as to denounce his colleague for it at a conference of divisional commanders early in 1931; he is also alleged to have been implicated in the "March conspiracy", which was a plot for the violent overthrow of the Government hatched by a group of army officers. This devious course did not save Minami from falling into disfavour with the army, which began to rally round the generals of the so-called Saga clique—Araki, Mazaki, and Muto, who had political connections with the Seiyukai. After the Mukden incident in September 1931, the position of the Minseito Cabinet became increasingly difficult,

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and finally a split in the party forced it to resign towards the end of December. The Seiyukai party leader, Inukai, was called on to form a Ministry, and appointed Araki to be War Minister. Araki extended the scope of operations in Manchuria (which the Minseito Government had been trying to restrict) and sent General Muto to take command. Meanwhile an appeal to the country resulted in the return of a Seiyukai majority in a general election. But the current of events was moving too rapidly even for the Seiyukai, which was now in its turn attacked by anti-parliamentary "fascist" societies of young officers and students, and on May 15, 1932, terrorists assassinated Inukai. Sections of the army that were involved in this movement planned to seize the capital and demand a military dictatorship; the scheme miscarried owing to the attitude of the Tokyo gendarmerie, but the Seiyukai were not allowed to form a new Cabinet, and the cry for a "National Government" resulted in the formation of a Ministry containing members of both the political parties, but headed by a non-party figure, Admiral Saito. General Araki remained War Minister.

From May 1932 until just over two months ago the Prime Minister of Japan was an admiral. When, in the middle of 1934, Admiral Saito resigned owing to financial scandals that involved two members of his Cabinet, he was succeeded by Admiral Okada. The appointment of admirals as Prime Ministers was made on the nomination of Prince Saionji, the last surviving Elder Statesman, apparently on the principle that if power was to be taken away from the Diet it should be given to the navy rather than to the army.

Nevertheless, for the first year of admiralty government there was in fact an army-Seiyukai ascendancy in Japanese politics; the Seiyukai retained its majority in the Diet, and the army held popular support for the recognition of Manchukuo and defiance of Geneva. But after the spring of 1933, when it became clear that the League of

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Nations would take no action against Japan, the international tension relaxed and a new quarrel between army and navy broke out. As the time approached for renewal or revision of the Washington naval treaty, the navy resolved to concentrate national policy on obtaining a revision of the ratio system, and with this end in view sought to restrain the army from further continental activities that might dissipate national strength. The first symptom of the new trend was the resignation of General Araki on January 22, 1934; this was ostensibly on grounds of ill health, but it was suspected that the decline of his political influence was the more important reason. He was succeeded by General Hayashi, who soon began to alienate the extreme militarists by disciplinary measures directed against the political activities of young officers.

Admiral Saito preserved the "national" character of his Government until its fall, but his successor, Admiral Okada, broke with the Seiyukai majority in the Diet, and the Minseito became virtually the Government party. The Seiyukai went into opposition, but some leading members of the party (including Takahashi, who became Finance Minister) joined the Government, and efforts to upset Okada were a failure. The Government identified itself more and more with the Minseito, and finally at the beginning of this year it went to the country in a general election and asked for a Minseito majority, which the electors gave it. Admiral Okada's position appeared to be established. Actually, he was destined to be swept away by a military *coup* only a few days after his decisive electoral success.

Superficially the action of February 26 was a failure, for the rebel troops were compelled to surrender to "loyal" forces, and a number of generals and high officers (including Generals Araki and Mazaki) who were identified with the extremist agitation in the army were subsequently placed on the retired list. Thus the discipline of the

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service was maintained. But the principal object of the outbreak was achieved. For Admiral Okada, though he escaped from his would-be assassins, was not retained in office, and his successor was neither an admiral nor a Minseito partisan. Mr. Hirota, the new Prime Minister, is not a party politician, but a bureaucrat, a career diplomat; as such he was Foreign Minister in the Saito and Okada cabinets, and he is acceptable to the army because of his zealous advocacy of a Japanese "Monroe Doctrine" for East Asia. He is a member of the Great Asia Society, which is affiliated to the Society of the Foundations of the State (*Kokubonsha*), the influential political club founded by Baron Hiranuma, now President of the Privy Council. The extreme chauvinist generals, Araki and Mazaki, are members of the *Kokubonsha*, and it is said that after the assassination of Inukai in 1932 Araki demanded that Hiranuma should be made Prime Minister, but was overruled by Saionji, whose advice by constitutional usage is followed by the Emperor in appointing to that office. Mr. Hirota's political connections, such as they are, are thus with chauvinist and anti-liberal circles, and he must be regarded as their representative, though his wide experience of diplomacy and knowledge of the world will no doubt make him more cautious than the army chiefs would like him to be.

II. COAL, IRON, AND OIL

THE recent *coup* could hardly have been so successful in bringing about a change of Government had it not been for factors that since the beginning of the year have caused the navy to draw nearer to the army and find agreement with it on certain major issues of policy. The navy was in opposition to the army during 1934 and 1935 for particular reasons which have now ceased to apply. The navy's attitude was determined in relation to the question of the revision of the Washington naval treaty.

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The admirals demanded that when the treaty came up for renewal Japan should denounce it and press for a new treaty free from the objectionable ratio system, that an agreed revision should be obtained if possible, but that if Great Britain and the United States refused to concede parity Japan should decline to enter into any agreement at all for limitation of naval armaments. In order to carry through this policy it was necessary to mobilise national opinion in support of it, and at the same time to avoid international complications that might weaken Japan's bargaining position; it was above all necessary to restrain the army from continental activities likely to lead to war with Soviet Russia or renewed hostilities in China. In order to be assured of the proper conduct of national policy with regard to this question of supreme importance for the navy, the admirals gave full support to Okada as Prime Minister. But with Japan's resignation from the London naval conference and her departure into isolation, Okada's special task was finished, and his further career as a party politician was regarded with no great sympathy by his brother admirals. The navy chiefs began to be more conscious of their common interest with the army, first in screwing up armament expenditure to the highest possible figure, and second (a matter affecting foreign policy) in securing adequate fuel and metal supplies for the national war-power.

No one of the great Powers except Italy is so deficient as Japan in the resources essential for large-scale industrialisation. The reserves of coal and iron ore in Japan and her colonies are extremely small, there is hardly any good coking coal, and oil is virtually non-existent. Japan has built up her industries largely on a basis of imported ores and fuels, but this means that her national economy is precarious even in peace-time in a world of sovereign States, whereas in war-time it could not continue to function for want of essential supplies, much less expand to meet the enormous demands of modern warfare, unless the State

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were able to secure access to other sources of supply beyond its borders.

The problem of oil supply has been of special concern to the War and Navy Ministries. Japan normally imports nearly nine-tenths of the petroleum she consumes. To meet the danger of being cut off from oil supplies in time of war, the Government two years ago enacted a law (which was extended to Manchukuo in spite of British and American protests) whereby oil companies doing business in the country were bound to keep six months' stock in tanks on the spot. This measure, however, could not provide a real solution of the problem, nor was it possible to rely on the oilfield in Sakhalin worked by a Japanese company with a concession from the Soviet Union. But now a new line of development has been opened up. The great enterprise of Nazi Germany in seeking to render herself self-sufficient in oil by production from coal has decided the Japanese to do likewise, and the problem of oil supplies thus becomes identical with that of coal reserves.

The coal reserves of China have been estimated, as the result of a systematic survey, at nearly 250,000 million metric tons, as contrasted with less than 10,000 million in Japan and her colonies; moreover, China has an abundance of coal of good coking quality for metallurgical processes, in which Japan is deficient. There can be little doubt that if China had started to industrialise herself at the same time as Japan, and with similar conditions of investment, technical efficiency and civil order, China and not Japan would be to-day the big industrial power of the Far East. But historically it is Japan that has developed industrially, and now her rulers are resolved that China's much greater industrial capacity shall be developed, not in rivalry to Japan, but under her control and direction.

The coal resources of China are concentrated in the province of Shansi next-door to Hopci, in which Peiping and Tientsin are situated; the Shansi coal reserves are

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estimated at 51.25 per cent. of China's total (including Manchuria), but the province accounts for only about 8 per cent. of the total production in China and Manchuria. Manchuria and Hopei contain together a little over 3 per cent. of the total estimated reserves, but account for nearly 70 per cent. of the production, the fields being worked by the Japanese in Manchuria and mainly by British interests in Hopei. Shansi and Hopei both yield good coking coals, which are scarce in Manchuria. When these facts are taken into consideration, it is easier to perceive the significance of the "five provinces scheme", which the special mission of the Kwantung army sought to put into effect last year.* The five provinces that were to be detached from Nanking comprised not only Chahar and Suiyuan outside the Great Wall, but also Hopei, Shansi, and Shantung. Of the five in the original plan only Hopei and Chahar were induced to accept "autonomy", and these not to the extent anticipated. Up to the present, Shansi under the rule of General Yen Hsi-shan has remained outside the sphere of Japanese control. But if the foregoing analysis of the situation has been correct, the separation from China of both Hopei and Shansi has become an objective of Japanese policy on which the new Government in Tokyo is not likely to compromise.

Geographical, economic, and political conditions indicate a regional unity of Liaoning (South Manchuria), Hopei, and Shansi provinces under Japanese domination as the future main base of heavy industry in East Asia. With a planned development of the whole area Japan will become self-sufficient for emergencies in coking coal and oil; the exploitation of the low-grade iron ores of Manchuria will become increasingly profitable; and a new market for the Japanese lighter industries will be created. Shansi can be developed only by means of new railways, and these

* See THE ROUND TABLE, No. 102, March 1936, pp. 288-305 (including map).

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will presumably be undertaken by the South Manchurian Railway Company, which now holds a monopoly of all railway construction in Manchukuo. The symbol of the new expansion is the Showa Steel Works at Anshan, now the second largest steel plant in the Far East, equipped to turn out 400,000 tons of pig iron and 350,000 tons of steel annually.

III. JAPAN, CHINA, AND THE U.S.S.R.

"**W**E desire", said Mr. Hirota in a prepared statement to foreign correspondents on March 25, "to secure the stabilisation of East Asia and at the same time to foster cordial relations with all countries. . . . We shall endeavour . . . to bring about co-operation between Japan, Manchukuo, and China. We shall cultivate friendship with Great Britain, the United States, and Russia, thus fulfilling our great mission to stabilise East Asia".

"Co-operation" between Japan, Manchukuo, and China may be taken to refer to the idea of a "Japan-Manchukuo-China economic bloc", which is much discussed in Japan, and the emphasis on "stabilisation" points to a renewed attempt to realise the five-provinces separatist scheme. Last year the attempt broke down because it had not a sufficient backing of force, and the failure of the Okada Government to provide such a backing was one of the most serious shortcomings laid to its charge by the chauvinists. This year we may expect to see the plan carried through even if it involves large-scale military operations. It is unlikely that Japanese troops stationed in North China will be used outside the Peiping-Tientsin area, or that this area will be the base of operations in view of the friction with the Western Powers that would result from turning northern Hopei into a theatre of war. If a campaign is launched, it will probably be carried out by the Kwantung army, first occupying Chahar and Suiyuan as far as the railhead at Paotou on the great northern bend

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of the Yellow river, and then invading Shansi from the north along the motor road from Tatung to Taiyuan. In any case Chahar and Suiyuan, provinces of Inner Mongolia outside the Great Wall, must be occupied as a preliminary to any advance in North China, in order to provide cover against a possible Soviet intervention from Outer Mongolia.

The Tokyo action of February 26 was followed by a significant change in the Japanese military command in Manchukuo. The commander of the Kwantung army, which holds the borders of Manchukuo, has extraordinary powers that make him virtually the ruler of the country, and the post is therefore one of the greatest importance in the Japanese military-political system. Under the Okada Government it was given to General Minami, who was the Minseito War Minister in 1929-31. After the February mutiny this general, compromised by his political connections with the anti-expansionist politicians, was replaced by General Ueda, who commanded the Japanese expeditionary force at Shanghai in 1932 and is free from the taint of Minseito-ism. Ueda's arrival in Manchukuo was followed by several clashes of great violence on the Siberia-Manchukuo and Mongolia-Manchukuo borders, and by Moscow's announcement of a treaty of defensive alliance between the Soviet Union and the Mongol People's Republic (that is, Outer Mongolia, which is still internationally recognised as under the sovereignty of China). The proclamation of the alliance, preceded by a definite statement of intention from Stalin himself, has served as a solemn warning to Japan that Russia is ready to go to war if Outer Mongolia is invaded. It was nevertheless in a sense a diplomatic success for Japan; for Russia has been compelled, first, to acknowledge openly the character of her relations with the Mongol republic (instead of maintaining the fiction of China's sovereignty there), and, second, in making a treaty of alliance with the Mongols without China's consent, to violate both the Sino-Soviet

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Treaty of 1924 and Article 10 of the Covenant of the League of Nations, to which Russia so recently vowed fidelity. The Nanking Government made a formal protest to Moscow on the publication of the treaty, and Sino-Russian relations have not been improved by an act that finally removes from China's control another vast area of what was previously, at least in juridical form, Chinese territory.

The Japanese-Soviet border clashes are to be interpreted as part of a process of minatory bargaining for a settlement, rather than as reflecting a real intention of Japan to make war on the Soviet Union. The Japanese might have taken the Siberian Maritime Province without great difficulty early in 1932, if they had not then dissipated their strength and ruined their international diplomatic position by their action at Shanghai. To-day the opportunity for an easy victory over Russia is a thing of the past, and a war would be a very costly and desperate affair with a grave risk of defeat and no worth-while spoils of victory. The riches of the Soviet Union lie in Europe and western Siberia, not in eastern Siberia or Outer Mongolia; the economic indicator for Japanese imperialism points towards Tientsin and Shanghai, not towards Vladivostok or Urga. Why indeed should the Japanese play for low stakes at great risk when they can play for high stakes at small risk? The communists and their friends talk a great deal about the plan of attack on the Soviet Union in the Far East, and it cannot be denied that there is much anti-Soviet sentiment in the Japanese army, but surely Marxists should be the last people to maintain that sentiment determines policy against the main line of economic interest. China, and not Siberia, must be in the long run the paramount concern of Japan's continental policy. But in order to achieve Japanese aims in China it is necessary to drive a territorial wedge between China and Russia, and to establish a good strategic frontier against the Soviet power in Mongolia. The Russians for their part are certainly anxious for a settlement of outstanding issues with Japan;

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for while the Soviet Government is resolved not to yield an inch of Soviet territory, nor to allow a Japanese conquest of the Mongol republic, its first concern is with the European situation, which holds for it a threat far more serious than the menace from Japan, and there is reason to believe that it would go far to obtain an agreement with Japan that would enable it to concentrate its strength in Europe. At the moment of writing, the commotion on the Soviet-Manchukuo border has subsided, and Marshal Voroshilov has received an invitation to come to Tokyo, though it is not yet certain whether his Government will allow him to go. Whether he goes or not, it is probable that there will be a further relaxation of tension between Russia and Japan, and that General Ueda will shortly turn his attention towards the south-west.

BROADCASTING IN THE DEMOCRATIC STATE

By a Correspondent

I. A PLEA FOR AN OPEN MIND

BRROADCASTING in England dates only from 1922, and since that date it has been the subject of no less than three major official enquiries. The last of these, under the chairmanship of Viscount Ullswater, has recently published its report. The Ullswater Committee was asked to consider the constitution, the control and finance of the broadcasting service in this country, and to advise generally on the conditions under which the service should be conducted after the end of this year, when the present charter of the British Broadcasting Corporation expires. As eleven years have elapsed since the last report was made, the committee might have construed their terms of reference widely and have considered the whole matter afresh, taking into account the experience of broadcasting under different systems in other countries. Unfortunately, they seem to have accepted the present organisation without adequately reviewing other possible systems; the advantages and disadvantages of a public corporation, much less the possible danger of vesting the whole service in one autocratic body, are not examined in their report.

The committee recommends that the present charter of the B.B.C. should be extended, subject to some minor changes, for a term of ten years, and in general its report confirms the recommendations of the Crawford Committee of 1925 that the broadcast service should be conducted

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by a public corporation acting as a trustee for the national interest and that its status and duties should correspond to those of a public service. In this respect it has done its work as though its terms of reference were to report on the work of the British Broadcasting Corporation and to advise what changes (if any) are necessary in its present organisation, rather than to consider in the light of experience from all countries the whole question of broadcasting, using the B.B.C. as one of many examples of the way in which such a service can be organised. In view of the infancy of this industry and its importance in a democratic community, it is only proper that the constitution, control, and finance of the service of broadcasting should be fully and widely reviewed.

The idea of a public corporation acting as a trustee for the national interest is no doubt the machinery that most socialists wish to see adopted almost universally as the form of industrial organisation. In respect of many industries the reasons advanced for such a form are : first, the elimination of private ownership so that the State and not a group of individuals benefits from the income or capital profit of the undertaking ; second, the concentration of organisation under one control, which eliminates the waste of competitive enterprise and at the same time makes efficient planning of industry possible ; and, third, the development of industrial organisation on the lines of more democratic control *within* the industry and more public control outside. The arguments against such a system of control are the interference by politicians in the every-day management of the business, the direct interference of Parliament in the financial management of an undertaking, the refusal of the Government to take a proper but unpopular line with an organisation that may have a substantial public interested in its operations, and the absence of that stimulus for progress and development which comes from rivalry between different competing organisations.

Whatever advantages there may be for public ownership

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and control of such public utilities as transport, coal, electricity, gas, or water, are they so applicable in regard to broadcasting? The nationalisation of the mining industry, which deals with a commodity only, raises no more thorny problems than that of compensation; but broadcasting is in a different category altogether. With the press and the films it is one of the three great organs moulding public opinion. The British Broadcasting Corporation has a monopoly of the most popular form of presenting knowledge, news, thought, and discussion. We may want uniformity in the quantity or quality of gas or electricity, together with a uniform rate, but we do not want the same uniformity in broadcasting. The supply of electricity or gas cannot be used, as the radio can, to mould public opinion or to spread news. Furthermore, with a basic commodity or service to distribute, it is comparatively simple for a public utility corporation to act as a trustee in the national interest. Light and heating the public want, and they want it in much the same forms and in much the same quality. But that is not true of broadcasting. How is freedom of speech to be safeguarded when all the stations are under the same control? It is no light task for a corporation to act as a trustee in the national interest when there are as many ideas of the national interest as there are political or social organisations, or for the governors of the British Broadcasting Corporation to act strictly as trustees when their powers are incapable of definition and their beneficiaries and their beneficiaries' needs and requirements are changing from day to day.

It is the peculiar nature of the work done by the broadcasting service that differentiates the B.B.C. from any other public utility—for example, the London Passenger Transport Board. Can the broadcasting service be properly monopolised by the State without endangering that freedom of thought and discussion which is a cardinal principle of any democracy that claims to be free? The

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first comparison that comes to mind is the press. We could hardly reconcile a free democracy with a nationally owned press—a British Newspaper Corporation created by charter and under the control of the Government of the day. Few of us would like to see a British Newspaper Corporation—with the sole monopoly of printing and distributing news—operating under licence from the Home Secretary. Freedom of the press has grown up only by a continual process of less interference by the State and the gradual relaxation of restrictive legislation. In detail, the freedom of the present-day press is fundamentally dependent upon advertising revenue; for the venality of a newspaper is a function, not only of the morals of its editor or owners, but also of its financial resources. Even control by capitalist magnates is preferable to the bribery of financially unstable newspapers by special interests, of which certain continental countries furnish too many examples; for the influence is at least open and known. No one in this country would be satisfied with a state monopoly of the newspapers, whoever the Board of Governors might be; and if we will not accept a state monopoly of the press, why is it that we support the state control of broadcasting as established here, and as recommended by the Ullswater Committee to continue?

The first answer to such questions is that it is necessary to have some form of state control. On the technical grounds of the use and allocation of a limited number of wave-lengths there must be some body controlling the number of broadcasting stations in Great Britain, and the State is obviously indicated to exercise that control. But such an answer does not fully dispose of the question. If the number of licences is to be limited, cannot the State give a licence to more than one body? And need the body to whom the licence is given always be a public one? If it is accepted that in matters of opinion there should be the fullest expression of ideas, it would seem unreasonable to give the monopoly of broadcasting to one corporation,

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and not to divide it among different groups on conditions that would provide sufficient scope for the presentation of all ideas. It is at least worth considering whether a system of many stations could not be established here, and whether that system would be a sufficient protection against the danger of monopoly.

In Great Britain there is a nationally owned system whose revenue is derived from licence fees. In the United States there is a multiplicity of stations whose revenue is derived from advertising. The Ullswater Committee dismisses the introduction of advertising in so few lines as to lead one to suspect that its members did not approach the problem with open minds and with the determination to make the most of experience in other countries with different systems from our own. Direct advertising was rejected because the committee was "most anxious that the intellectual and ethical integrity which the broadcasting system has attained should be preserved". Were not one of the members of the committee the chairman of our most famous newspaper, one might infer that they believed the press in this country to have neither intellectual nor ethical integrity. Is there any reason to suspect that if direct or sponsored advertising were introduced the intellectual and ethical integrity of broadcasting in the country would depreciate?

People have a horror of introducing into England some of the systems of radio advertising to be found in certain foreign countries. But it is unreasonable to condemn all forms in all countries, and we might draw special benefit from experience in other parts of the Commonwealth. In Australia there is a combination of both systems. That country has a national service on the lines of the British Broadcasting Corporation. At the same time the Postmaster General has power to issue further licences for privately owned stations. These stations are partly financed by advertising and are carried on—like any newspapers or stores—as commercial enterprises; some are

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owned by and organised in the interests of political parties and religious orders. The existence of this system does extend the range of subjects discussed and the type of programme given, and it does provide for the fullest expression of all shades of opinion. Furthermore, the competition of these "B" class stations, as they are called, serves as a very excellent stimulus to the National Station. To those who fear that, once allowed to creep in, advertising will monopolise all the time, these stations are instances to the contrary, for their sponsored advertising has not had that effect. This at least could be said for such a system, if it were adopted here: that it would provide revenue for more programmes and give listeners an opportunity of listening to operas, concerts, and talks that are barred to-day by lack of funds.

Admittedly there are powerful and familiar arguments on the other side; this is not a brief for radio advertising, but a plea for keeping an open mind. It may be that the great majority of listeners in Great Britain would dislike above all other considerations the punctuation of programmes with announcements that they were hearing this or that by courtesy of some advertiser. But this has certainly not yet been proved, and it is noteworthy that a great many British listeners nowadays switch on to popular programmes from "pirate" advertising stations in neighbouring European countries, stations that are becoming so well established as to remind us that some of the pioneers of the Empire's command of the seas came close enough to the verge of piracy. In these times, when freedom is on the defensive, it is surely unwise to reject, without much more profound consideration than seems yet to have been given, a system that is the bulwark of the present-day freedom of the press.

The Ullswater Committee dealt shortly with the question of regions for broadcasting purposes, but did not specify the number of regions "as the allocation or use of wave-lengths involves technical questions". It seems unfortunate

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that they apparently did not consider any fundamentally different form of grouping. The report says that it is "clearly undesirable that large populations which differ widely in their character and culture should be combined within a single region". Surely the tastes of one class of the population in the Midlands are very much the same as those of a similar class in the West or in the North. An experienced constructor of broadcast programmes would presumably say that the difference between those who have tea at six and those who dine at eight is much more important for his purposes than the difference between those who talk with a Cockney and those who talk with a Lancashire accent.

If it is possible with the limited range of wave-lengths at our disposal to have, say, seven stations in Great Britain, we would do well to consider with an open mind the possibility of a different system from that of a single corporation controlling all the broadcasting stations. Several possibilities suggest themselves. Instead of having one broadcasting corporation operating a national and many regional stations, we might have seven broadcasting corporations each operating one station, all under a charter from the State and under licences from the Postmaster General, but the whole seven licensees being on an equal footing among themselves. In this way, it may be claimed, we would provide for each station six competitors, and there would be more opportunity for the expression of different views, greater freedom, and much greater variety in the programmes produced. A change along these lines could be carried out in either of two ways. The stations could all be public corporations similar to the B.B.C., or alternatively some of them could be state owned and controlled, like the B.B.C., and some privately owned.

There is a further suggestion that might be considered. Instead of a purely regional distribution of stations, could not the wave-lengths be allocated according to subject matter, and not according to geography? Broadcasting

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has many aspects—education, music, drama, amusement, and news all find their place in the programmes. The suggestion has been put forward that there might be a series of stations each operating under a separate charter and an official licence, and each one primarily responsible for a particular class of broadcasting work. There could be one station for news, another for education, a further station for political parties, another for concerts, operas and music, and still another for lighter entertainment and amusement. (This catalogue is not meant to be comprehensive or precise.) Each of these stations would be free to supply complete programmes as the British Broadcasting Corporation does to-day, possibly exchanging parts of programmes with other stations, or hiring them for a fee. But the governors of the several corporations would be for the most part experts in their particular branch; and the licence would provide that a certain minimum share of programme time must be devoted to the particular work for which the station had been organised. For example, the board of control of the educational station would be composed of nominees from the different universities and schools and from the Board of Education, and entrusted with providing such educational broadcasts as in their opinion were valuable. This would not mean that they would be excluded from relaying news or from giving musical or entertainment items, but the licence would provide that a certain percentage of the time of the station was allotted to educational programmes, and the special interests of the persons in charge of the station would be a sufficient guarantee that the major part of the service was devoted to educational broadcasting. The other stations could be constituted in a similar way. For the political stations an arrangement could be made between the political parties whereby the time was allocated between them by agreement, with the Speaker as arbitrator in the event of any dispute.

These are only suggestions, necessarily inchoate in form.

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The trouble is, not that they have been wrongly rejected, but that they do not seem to have been considered at all. The interests of democracy and freedom are so vital that no plan should be lightly spurned that seeks to safeguard them, whether by the division of the broadcasting service between a number of licensees or by any other means.

II. A BALANCE OF POWERS

THE question of the degree and character of state control of broadcasting is in a large measure incidental to that of the type of broadcasting concern—whether it should be a single public corporation, or several public corporations, or privately owned and managed stations, or a combination of the two systems. But the two questions are not identical, for it is clear that even with the most completely individualist system the Government must retain some ultimate right of control. The State cannot afford completely to relinquish, at least in emergencies, its grasp of so powerful and all-pervading an instrument as broadcasting.

The British Broadcasting Corporation, though described in the Crawford Report as having a status and duties corresponding with those of a public service, is different from a state department or a public service. In the first place it does not transact the ordinary business of the State, and in the second place if it is to be effective it must have a certain amount of independence and not be under the direct control of a Minister as an ordinary state department must be. The question is one of reconciling the control by the State with the independence of the Corporation, and this question has been the subject of much discussion by the different committees that have reported on broadcasting. The Crawford Committee stated that

the prestige and status of the Commission should be freely acknowledged and their sense of responsibility emphasised; that, although Parliament must retain the right of ultimate control and the Postmaster General must be the Parliamentary

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spokesman on broad questions of policy, the Commissioners should be invested with the maximum of freedom which Parliament is prepared to concede.

Subsequently the Postmaster General said in the House of Commons on November 15, 1926 :

While I am prepared to take the responsibility for broad issues of policy, on minor issues and measures of domestic policy and matters of day-to-day control I want to leave things to the free judgment of the Corporation.

Finally, a resolution was passed in the House of Commons on February 22, 1933, in the following terms :

That this House, being satisfied that the British Broadcasting Corporation maintains in general a high standard of service, is of opinion that it would be contrary to the public interest to subject the Corporation to any control by Government or by Parliament other than the control already provided for in the charter and the licence of the Corporation; that controversial matter is rightly not excluded from broadcast programmes, but that the governors should ensure the effective expression of all important opinion relating thereto; and that only by the exercise of the greatest care in the selection of speakers and subjects can the function of the Corporation be fulfilled and the high quality of the British broadcasting service be maintained.

Two distinct questions have to be considered: the extent of state control, and whether that control is to be parliamentary or ministerial. Under certain sections of its charter the B.B.C. is bound to observe the provisions of any licence granted by the Postmaster General and any instructions that he may issue from time to time. The Corporation is also bound to broadcast any matter that any government department may require, and to refrain from broadcasting any matter that the Postmaster General may specify. Finally, there is a provision for direct government control of all broadcasting in a national emergency.

On two occasions since 1925, namely in 1926 and 1931 (both periods of political turmoil), undue influence of a political party has been alleged. Mr. Attlee deals rather fully with this aspect of the matter in his reservations to the

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Ullswater report. He agrees that the control of the British Broadcasting Corporation by the State in an emergency is obviously necessary, but he emphasises that there is a point at which it is difficult to decide whether the emergency is that of the State or that of the Government as representing the political party in power. By way of illustration, he instances the two occasions mentioned above, when the broadcasting system was used by the Government of the day in order to support its own policy, which may or may not have been for the benefit of the State.

Complaints such as these are symptomatic. It is not only Mr. Attlee's supporters who are anxious about the relations between the Corporation and the State. The present phase of widespread public and parliamentary desire for larger opportunities of criticising the conduct of the B.B.C. is a logical development from the plan of establishing a powerful monopoly, and it may be that we are at a moment of transition to still another phase. The Ullswater Committee recommended the appointment of a Minister to answer questions on the "cultural" side of broadcasting. In the debate in the House of Commons a demand for at least one day a year of parliamentary time for the discussion of B.B.C. affairs received a wide measure of sympathy. This is bred of a just desire to keep under the democratic eye of Parliament a powerful thing that Parliament has created. But the connection between the Corporation and Parliament must be through a Minister, and a Minister is a member of a Government and of a political party. If he has to answer questions and respond to criticism he will not be content to be only a mouthpiece, but will seek by his influence, rather than by his legal powers, to make the conduct of the British Broadcasting Corporation such that he can agreeably defend it. The logical conclusion of the public monopoly system is ministerial authority; the check on ministerial authority is parliamentary and public discussion.

It is, after all, a choice of evils, but we ought to be

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clear in our minds which road we are following. Are we to safeguard freedom, under this powerful régime of the radio, by some attempt at analogy with the freedom of the press, or are we to safeguard it through a balance of powers between a corporation, the Government, and the parliamentary watchdog? The Ullswater Committee virtually dismisses the first alternative, and enough has been said about it in the earlier part of this article. The second requires that the control of the State should be as far as possible a parliamentary and not a ministerial control. Apart from requiring messages of urgent public importance to be given, all other instructions should be subject in the first place to a resolution of Parliament. A Minister wishing to enforce any order would in the first instance have to face the publicity of the House and the press in having his order confirmed by Parliament. Furthermore, the clause in the licence whereby broadcasting can be taken out of the Corporation's hands in the case of emergency should be effective only after a resolution of both Houses of Parliament has been passed. Clearly enough, a Government with a substantial majority in both Houses could at any time get a resolution through on a party vote, but on the other hand the discussion that would be necessary before the resolution was passed would be such as to give the country an opportunity of considering not only whether the need for such control had arisen, but also whether the power was being properly exercised.

There can be no doubt that the State must in the final resort have complete control of the broadcasting system of the country. It is important, however, to ensure that in exercising this control it will do so in the interest of the country as a whole and not in the interest of a group, and this can be safeguarded, first, by giving as full a power as possible to the Corporation, secondly, by making the directorate of the Corporation as widely representative as possible of the different interests in the country, and thirdly by providing that no state control shall be directly exercised

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without its having previously received full publicity by a proper discussion in Parliament and in the country.

III. FINANCE

THE independence of the Broadcasting Corporation depends to a certain extent upon the amount of revenue that it is entitled to receive, and the financial relations between the Corporation and the Government raise important issues both as to the development of the idea of a public corporation and as to the place that such finances are to occupy in the national fiscal system. If a public corporation is to be independent and, for purposes of management, free from political control, then it should have the right both to raise and to control its own revenue. On the other hand, the public and the State are entitled to have the fullest information with regard to the raising and spending of this revenue, and the fullest opportunity of discussing this information. Here again any limitation that is to be placed on the Corporation's powers, once they are granted, should be a limitation exercisable only by a resolution of both Houses, so that no Minister as such would have power to interfere with the financial position of the Corporation in any way at all.

At the present time the British Broadcasting Corporation under its licence receives a certain percentage of the money received by the Postmaster General from licence fees. The Ullswater Committee recommends that, once the costs allocated to the Post Office for raising this revenue have been deducted, the share of the remainder to be allocated to the Corporation should not be less than 75 per cent. of the current receipts. It seems that the Commission might have gone even further in this respect and allocated the whole of the wireless fees to the British Broadcasting Corporation, after deducting only the cost of collection. If there is a surplus of receipts over expenditure, as in the last few years, one of two conclusions can be drawn. Either the fees are too high for the service given and the public

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could benefit by paying smaller licence fees; or the B.B.C. could spend more money on the entertainment provided for its patrons, so as to use up part of the surplus revenue that it now receives. No one will deny that the field of entertainment has not been fully tapped by the B.B.C., and that there are many concerts and operas that could be relayed, and many artists whom the people of this country have not yet heard "over the air", whose services could for a substantial payment be obtained by the Corporation. If there is to be a monopoly, then the whole of the income arising from the monopolised service should go to the Corporation.

In so far as the Corporation is a public body, then it is important that all the details of its finances should be available for public inspection, criticism, and discussion. Either quarterly or half-yearly accounts should be supplied to Parliament with a full report; they should not be merely a summarised statement of receipts and disbursements (as often a company's balance sheet is), but should be given with the fullest details, so that anyone could ascertain the amount of revenue received by the Corporation and how and in what directions it is spent. Finally, the Corporation should have power (as it has) to borrow money up to a certain amount. The Ullswater Committee recommends that the limit of its borrowing powers might be raised to £1,000,000. It would seem that the limit should be dependent partly on the capital assets that the Corporation possesses, and partly on the revenue it receives each year. In the light of these two facts, the borrowing powers should be such as any other corporation with a similar capital and revenue would be entitled to, in the ordinary way of business and in the open market.

IV. CONCLUSION

THE British Broadcasting Corporation is an interesting experiment in the form of control by the public of a very important institution. It is too early yet to determine

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whether this experiment will be successful, and it will tax all the ingenuity of statesmen to work out a proper form of organisation, that will reconcile the necessary control by the State with the equally necessary independence of the Corporation. A more fundamental consideration at the present time is to determine whether the monopoly should be exercised through one corporation or whether further licences should not be granted by the State to other corporations as well, and whether, in the latter event, these further licences should be held by public corporations similar to the B.B.C., or by corporations privately owned though subject to state control. If the maximum amount of freedom of thought and discussion is to be maintained, it may be that a multiplicity of independent stations subject to state control will be the ultimate form of organisation. Democracy has in its charge an immensely powerful agency for good or ill, which dictators at least have known how to use. It is one of the most vital tasks of government to learn how to make this instrument the agent of freedom, as strong in that cause as in the service of any dictator.

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I. ECONOMIC PROSPERITY AND POLITICAL UNREST

ONE of the most noticeable features of the post-war epoch has been the growing recognition of the impossibility of extricating politics from economics. Statesmen throughout the world have realised that economic recovery was likely to provide the best escape from political embarrassments, and the cycle of boom and slump has come to be regarded as the most accurate barometer of political stability. In Palestine, however, this principle does not seem to apply. During the last ten years, economic improvement has proceeded at a pace which the most fervent Zionist never dared to expect and which the most rabid Arab nationalist is unable to discount. But this amazing prosperity has brought no relaxation in the political tension. The upheaval of 1929 followed upon three years of steady progress made under the guidance of Lord Plumer. To-day the contrast between economic prosperity and political strife is equally glaring. The figures for the financial year ending March 31, 1936, reveal that the Government has accumulated a surplus of over £5,000,000, an increase of £500,000 on the surplus a year previously. Customs revenue has increased by £1,000,000, and the official immigration figures for the year 1935 constitute a record. At the same time the Palestine Government is more than ever obsessed with political difficulties.

During the last few months the Administration has been made the butt for Zionist contempt in this country and increased Arab hostility in Palestine. The fear of a recurrence of the 1933 riots is always present, and protest meetings organised in sympathy with Arab nationalist

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claims in Syria and Egypt have aroused considerable support. More recently, clashes between Jew and Arab in Nablus, Jaffa and elsewhere have resulted in many deaths and injuries. The disturbances apparently began with an attack on some Jews by Arab bandits. Retaliation soon followed, and the situation, especially in Jaffa and Tel Aviv, became so serious that a general outbreak seemed possible at any moment. A general strike was proclaimed, and some of the Arab leaders have demanded its continuance until the Government should agree to the stoppage of Jewish immigration, the prohibition of land sales to the Jews, and the formation of a national Government responsible to a representative council.

This contrast between political and economic conditions gives the clue to the attitude adopted in Parliament and elsewhere in this country towards policy in Palestine. For the Jews are undoubtedly responsible for the economic prosperity, while the Arab leaders must be looked upon as the main source of political unrest. The Jews base all their demands on the provisions of the Balfour Declaration and the mandate. The Arabs make no effort to hide their detestation of the post-war settlement and their complete refusal to accept its implications. The Jews therefore are desirous of working in harmony with the Government, whilst the Arab movement must be regarded as at any rate potentially revolutionary.

II. THE GOVERNMENT'S PROPOSALS

THESE facts no doubt help to account for the astonishing unanimity in the opposition aroused in this country to the Palestine Government's latest proposals. Ever since 1919, Arab nationalist feeling has been concentrated on two grievances. Arab delegations have continually pressed the Government for a pronouncement, first on the subject of land policy and second on the problem of self-government. It appears that they have now been successful

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in extracting from the Government important concessions on both these points. The High Commissioner has announced his intention of passing a law whereby no landowner will be permitted to sell his land unless he retains a minimum area sufficient for his subsistence. The Jews interpret this proposal as a direct attempt to curtail the possibility of land purchase and hamper their efforts to establish a National Home.

The other proposal from the Jewish point of view appears even more serious. At the end of last year definite plans were announced for the institution of a legislative council. According to this scheme, representation for the different communities on the council is to be made roughly proportionate to the numbers of their adherents now residing in the country. The Jews claim that this proposal means that control will be handed over to a community avowedly opposed to the mandate, and that they will be forced to occupy the position of a permanent minority. Such a change would place in jeopardy the economic prosperity which is admitted to be dependent on Jewish immigration and Jewish capital. Moreover, British obligations to the Jewish people would obviously appear farcical if the Jew were now forced to wear the badge of sufferance in his own National Home. It is claimed, therefore, that taken in conjunction with the land proposals this new policy constitutes a surrender to Arab pressure and a serious breach of British pledges.

These objections are not the outcome of mere partisanship. The recent debates in Parliament revealed that the new proposal had excited apprehension among all sections of political opinion. The Government's defence consisted mainly of a reliance on the judgment of the High Commissioner, little effort being made in either House to uphold the plan on its merits. Such a defence is obviously unlikely to allay the misgivings of opponents of the scheme. It seems possible, therefore, that the new proposal may give rise to an agitation hardly less harmful to the true interests

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of Palestine than that which followed the publication of the Passfield White Paper in 1930. If the Government wishes to meet its critics, three questions must be answered. (1) Is the institution of a legislative council compatible with or required by British obligations and pledges? (2) How valid are the rival claims of Jew and Arab regarding the institution of a self-governing body? (3) Will the new proposal tend to appease or exacerbate communal differences and how will it affect the general administration of the country? This is a question of peculiar interest to the British peoples owing to the varied experience of such institutions that they have been able to acquire in other parts of the Empire.

British policy towards Palestine since the war has been so confused that it is impossible to give a definite answer to the first of these questions. Article Two of the mandate imposed on the mandatory Power the task of securing "the establishment of the Jewish National Home", "the development of self-governing institutions" and the safeguarding of the civil and religious rights of all the inhabitants of Palestine. In Syria the French were required to introduce an Organic Law for the setting-up of self-governing institutions within three years of their acceptance of the mandate. Presumably no time limit was imposed on the British in Palestine owing to the complications that the pledge to the Jews might introduce. But, apart from this limitation, the Arabs in Palestine had the right to suppose that their claim to self-government would not be considered any less favourably than that of the Arabs in Syria. In any event the introduction of a plan for a legislative council by Sir Herbert Samuel in 1922 clearly revealed that the British Government felt itself under an obligation to introduce self-governing institutions. In 1922 the Arabs boycotted the elections and the plan was dropped. They still hoped to secure a repudiation of the mandate and they were not prepared to follow a course that seemed to imply acceptance of it.

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After this first failure the British Government appeared to favour the indefinite postponement of a similar experiment. In 1925 the report of the British Government to the League said :

The proposal to form a Legislative Council has not been and cannot be usefully revived while Arab leaders maintain their opposition to a fundamental principle of the Mandate.

In June 1930 Mr. Drummond Shiels repeated the same view more forcibly, and went so far as to claim that even negotiations were ruled out until the Arabs accepted the mandate. Later in the same year the Government appeared to revert to the 1922 policy. The Statement of Policy issued in October 1930 said :

The time has now come when the important question of the establishment of a measure of self-government in Palestine must, in the interest of the community as a whole, be taken in hand without delay.

Following upon this clear pronouncement the High Commissioner said at Geneva in 1932 that he was considering the possibility of a legislative council, and in 1935 the plans were finally issued. It is clear from this short survey that the Government's pledges have been short-lived and contradictory. Opponents of the scheme have claimed that the Government is pledged to postpone self-government until the Arabs accept the principles of the mandate. But the Arabs were openly opposed to the mandate in 1922 and in 1930. In each of these years the Government revealed either by word or deed its intention of introducing a council "without delay". Arab and Jew, Colonial Secretary and High Commissioner, can produce an equal amount of evidence to support either view. In making his proposal Sir Arthur Wauchope may claim that he is following the precedent set by Sir Herbert Samuel and Sir John Chancellor.

In order to discuss the attitude of Jew and Arab to self-government it is necessary first to give a brief account of

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the constitution of the proposed council. It is to consist of twenty-eight members, the number being made up of five official, eleven nominated unofficial, and twelve elected members. Of the twelve elected members, eight are to be Moslems, three Jews, and one a Christian. Of the eleven nominated unofficial members, three are to be Moslems, four Jews, two Christians, and two representatives of the commercial community. Clearly this arrangement gives to the Arabs a strong position. The majority of the Christian community are Arab, and it is probable that their representatives would vote with the Arabs on the council; for the nationalist and racial factor making for unity between Moslem and Christian far outweighs in importance any religious difference. It is quite possible, therefore, that the Jews would only be able to defeat a measure sponsored by the Arabs if they obtained the unanimous support of the other members of the council.

Even so, this plan is probably less favourable to the Arabs than that suggested by the Palestine Government in 1922. According to that scheme the Council was to consist of twelve elected members and eleven officials, including the High Commissioner. Of the elected members, eight were to be Moslems, two Christians, and two Jews. Under that arrangement the Jews would have been even more dependent on official support than they will be if the present suggestions come into force. The most interesting feature of the 1922 plan was the proposal to create an unofficial elected majority. Only a few British colonies have been considered to have reached this stage of development. The 1922 council was to be given legislative power to establish such ordinances as might be necessary for the peace, order, and good government of the country. The High Commissioner retained executive power and the right of veto. Matters relating to immigration were to be entrusted to a standing committee consisting of not less than half of the unofficial members of the council.

The present scheme is more specific in its definition

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of necessary safeguards. Mr. Thomas stated in the House of Commons that the council would not be permitted to discuss the mandate, immigration policy, or the affairs of the Jewish Agency. Efforts would also be made to prevent the council from being used as a platform for seditious propaganda. Both Arabs and Jews, however, have expressed their hostility to the present scheme. The dangers that it presents to the Jews are real and menacing. The Arabs, on the other hand, have probably expressed their unwillingness to co-operate in the hope of gaining further concessions. Even if these are not forthcoming they are likely to be prepared to work the scheme.

The main ground for the opposition of the Jews has already been stated. They contend that to hand over control to a community opposed to the mandate would affect adversely the present status of the Jews in Palestine and the prospect of further immigration. In 1921 Sir Herbert Samuel laid down the rule that immigration must be restricted according to the capacity of the country to absorb newcomers. The Jews have often protested that absorptive capacity has been determined by political rather than economic factors. They feel now that the constant discussion of economic conditions in Palestine by an Arab majority on the council will increase the importance of these political factors. Moreover, if discussions on the mandate and immigration policy are to be ruled out, how will the legislators spend their time? Land policy and economic prosperity are inextricably connected with the subject of immigration, and from Dan to Beersheba the mandate and the position arising from it provide the main topic of political dispute. In Kenya a similar ruling was made in order to prevent a council mainly composed of the representatives of the immigrant British population from exercising control over native interests. It was soon discovered that almost every measure could be said to affect native interests directly or indirectly, and that the withdrawal of this subject left little to discuss. The attempt

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to keep immigration policy exclusively in the control of the High Commissioner in Palestine would probably encounter the same difficulties. The Jews fear that in order to avoid friction with the council the Government would relax the safeguards and that their most vital interest would therefore become dependent on the whims of an Arab majority.

The Jewish case against the Legislative Council is easily understandable and was effectively put in the House of Commons. Probably by reason of their lack of any organisation in this country, however, little or no attempt has been made to present the point of view of the Arabs. They believe that, had it not been for the Balfour Declaration, they would already have succeeded in gaining self-governing institutions. The Arabs possessed a certain measure of self-government under the Turks, and they naturally supposed that their co-operation with the allies in the war would help them to secure independence. Since the war, however, they have seen their hopes betrayed. Experiments in self-government with varying degrees of responsibility have been made in Iraq, Syria, and Transjordan. They conclude that their own failure to secure similar treatment is due to Jewish immigration, a view that is supported by various statements from the British Government itself. In 1922 the Secretary of State informed an Arab delegation :

The position is that H.M. Government is bound by a pledge antecedent to the Covenant, and they cannot allow a constitutional position to develop which may make it impracticable for them to carry out a solemn undertaking given by themselves and the Allies.

The Shaw Commission which visited Palestine in 1930 recognised that this feeling was still prevalent and that it was responsible for much of the anti-Jewish propaganda among the Arabs. Their report stated :

Those who wish for similar developments in Palestine (*i.e.* experiments in self-government such as had taken place in other Arab countries) have grounds for the opinion that were it not for

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the obligations cast upon H.M. Government by the policy contained in the Balfour Declaration their hopes and expectations might to some extent have been realised.

The Arabs feel that the Jews have robbed them of independence. When, moreover, they read in certain extremist newspapers that the aim of the Jews is to make Palestine as Jewish as England is English or Canada is Canadian, their suspicions are naturally aroused.

The moderate Arab would probably claim that he is not anti-Jew. Probably he would not be concerned to deny that prosperity in Palestine is largely dependent on Jewish enterprise. He wants to know, however, what effect Jewish immigration is to have in the future and whether his own right to self-government is to be subordinated to Jewish claims. The riots that periodically interrupt the life of Palestine are fundamentally due to the Arab fear that the Jews may overrun the country and to the belief that the policy of the National Home is depriving the Arab of independence. The Palestine Government has probably proposed the institution of a legislative council in the hope that it may remove the most serious of the Arab grievances. The suggestion was made in the House of Commons that Jews and Arabs should be represented equally on the council. Such a proposal may have much to recommend it in theory. It would certainly, however, have been met by a policy of rigid non-co-operation on the part of the Arabs. It would exacerbate their grievances at a time when it is above all necessary that they should be allayed. Mr. Thomas rightly pointed out that, as the Arabs possess a majority of three to one, a system of parity in representation could not possibly be justified. The choice was between a council that gave the Arabs representation according to their numbers and no legislative council at all.

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III. A PROBLEM IN IMPERIAL GOVERNMENT

IT may be seen, therefore, that both Jew and Arab may make a good case in his defence. The Jew feels that a legislative council may endanger the mandate. The Arab feels that the mandate is depriving him of independence. It remains to discover whether the institution of a council is likely to create a more favourable atmosphere. During the debate in the House of Commons British experience in Cyprus and Ceylon was quoted as an argument against the new proposal. Developments in self-governing institutions in those two colonies have proceeded along precisely opposite lines, but in neither case can the experience be said to have been reassuring. In Cyprus, owing to the existence of a race conflict between the Christian Greek majority and the Moslem Turkish minority, the difficulties were in many respects the same as those that now face the Government in Palestine. The Greeks represent about eighty per cent. of the population, and their demands included responsible government, secession from the Empire and union with Greece. According to the constitution promulgated in 1925, the Greek representation on the council was to be equal to that of the official and Turkish members combined, the Governor retaining the casting vote. The grant of self-governing institutions, however, in no way appeased communal feeling. Serious riots resulted, and in 1931, largely owing to the intransigent demands of the Greeks, the council ceased to exist.

Experience in Ceylon was not much happier. An Order issued in 1923 provided for a large unofficial majority on the reconstituted council. Executive power was retained by the Governor, who was also given the right to pass any Bill of paramount importance. The unofficial majority came gradually to regard itself as a permanent Opposition, and the executive was forced to make considerable concessions in order to avoid an open breach. To end the deadlock the Donoughmore Commission recommended

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a large increase of the council's legislative and executive powers, and the demand for Dominion status and the abolition of safeguards became more and more insistent.

These examples reveal clearly enough the kind of difficulties that are likely to arise when representative institutions are granted to a people whose capacity to govern is still open to question. Such institutions are granted in the hope that a closer contact with the machinery of government will foster a sense of responsibility. Safeguards are provided in order that this responsibility may not be abused. Safeguards, however, are necessarily flimsy and insecure. If they are enforced, as happened in Cyprus, constant friction is likely to make the constitution unworkable. If they are relaxed, as happened in Ceylon, the representative body assumes powers that its sponsors never contemplated. Experience in Ceylon in particular substantiates the fears aroused among the Jews in Palestine. The Governor was formally invested with the power of certification and veto. In spite of constant opposition from the council the power of certification was never used, and the Governor himself complained that he could not govern by veto. The only escape from the dilemma was a further step towards responsible government. The dyarchic constitution set up in the provinces of India in 1919 gave rise to a similar experience. On only one occasion did a Governor secure the passage of a Bill by certification, while the power of veto was employed only in two or three instances. Once a council is instituted, both these weapons are used sparingly; a Governor anxious to see the constitution working is willing to permit a considerable relaxation of the law before they are called into force.

This danger is inherent in any system of representative institutions that seeks to give the means of expression to an unofficial majority or a large unofficial minority. Under responsible government the criticism of the Opposition is tempered by the knowledge that the critics may at any time be forced to take over control. If, however,

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the constitution does not provide for full responsibility this check on the extremism of the Opposition is lacking. Any system that gives representation without responsibility is likely to prove precarious. Ever since the days of Lord Durham British administrators, in theory if not in practice, have realised that the first step should not be taken until the ground is well prepared for the second. The precept was in fact most clearly stated by the Hilton Young Commission, which visited East Africa in 1927. In Kenya a constitution had been granted similar in many respects to that which is now proposed in Palestine. In spite of safeguards, unofficial opinion was able to obtain a much larger influence in the affairs of government than the constitutional position seemed to allow, and local opinion was even successful in resisting measures that the Secretary of State wished to enforce. The Commission came to the conclusion that, once an unofficial majority is permitted, government will pass from the representative to the responsible stage much faster than the Imperial Government thinks desirable. If the Imperial Government refuses to make this final concession, a situation may arise in which an elected body faces an irremovable executive, able to paralyse the Government's action but lacking the freedom to carry out a consistent policy.

The architects of the projected Palestine constitution may claim that this danger has in fact been avoided owing to their provision for an official majority. It is probable, however, that the distinction between official and unofficial members will be subordinated to the cleavage between Jew and Arab. There will still be a possibility, therefore, that the Arabs in the Council will form themselves into a permanent opposition and use their new privilege with the sole purpose of embarrassing the Government.

This danger, moreover, is likely to be accentuated by the provision for enabling the two communities to vote on separate rolls. Such a system seems likely to ensure that political differences in the council will be confined to

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communal channels. In Cyprus the inclusion of such a clause in the constitution served to consolidate the antagonism between the Turks and the Greeks. Politics to the Christian and the Moslem alike meant non-co-operation with each other. It is unnecessary, however, to give further illustrations of this point in view of our recent experience of the communal problem in India. A communal register, once established, is always difficult to abandon. The ideal solution no doubt is to wait until the different communities may divide on political rather than religious lines. The Palestine Government may argue that the adoption of this solution would mean the indefinite postponement of any attempt to introduce self-governing institutions. Such an argument, however, does not dispose of the objections to which a system of communal franchise naturally lays itself open. It must be admitted that the weight of experience is definitely opposed to any premature experiment in self-government. Safeguards may vanish, communal differences may become stabilised, and the Government may soon be faced with the alternative of withdrawing concessions already granted or of launching a system of complete responsible government.

The task of governing Palestine presents difficulties unparalleled elsewhere in the Empire. A small country, it has more political and social problems to the square mile than any like territory in the world. In the Near East we have already had experience of the peculiar qualities of Arab nationalism. In India we have been faced with the classic example of the communal problem. In East Africa we have learnt something of the difficulties of reconciling the claims of an immigrant minority with the rights of the native population. All these complications are assembled in Palestine, and, as a condition of any solution, there has been the knowledge that Great Britain's unique pledge to the Jewish people must not be betrayed. This pledge, however, does not mean that we must disregard the principles that are supposed to guide our policy

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in other parts of the Empire. A White Paper on Kenya issued in 1923 contained this statement

Primarily Kenya is an African territory, and H.M. Government think it necessary definitely to record their considered opinion that the interests of the African natives must be paramount, and that if and when those interests and the interests of the immigrant races conflict, the former should prevail.

The Hilton Young Commission, in interpreting this principle in 1929, laid down the methods by which it might be carried out. They stated that uncertainty regarding future land policy was the principal cause of disquiet among the natives, and they therefore recommended that alienation of land to immigrants should be strictly controlled and regulated. Finally, the mandate system in countries similar to Palestine makes the institution of a self-governing body one of the main duties of the mandatory Power.

If Zionist demands were really carried into effect all these principles would have to be abrogated. Native interests would have to be regarded as subordinate, owing to the greater initiative and enterprise of the Jews. Land would have to be alienated from the natives without hindrance, in order that no check might be placed upon immigration. Self-government would have to be postponed until there was no danger of an Arab majority. Such a policy, consistently followed by British administrators in Palestine, would give rise to a political crisis of first-rate magnitude in which the cause of the National Home would be the first to suffer. The policy of reconstituting Palestine as a Home for the Jews must be tempered, therefore, by the principles of trusteeship that Great Britain has assumed elsewhere in the world. In Palestine, of course, the principle of trusteeship may be invoked not only by the native population but also by the immigrant minority. The Jews have good grounds for their fears, and British imperial experience gives ample evidence of the difficulties that any experiment in self-government is certain to encounter in a country of mixed communities. On the other hand,

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improvement in the political atmosphere is scarcely possible until Arab nationalism is provided with some means of expression other than that of rioting and demonstration.

The reconciliation of these divergent interests is a task demanding consummate statesmanship. Fortunately, at this critical moment in the history of the Palestine experiment we possess one outstanding asset—the presence in Palestine of a High Commissioner enjoying a unique popularity with Jew and Arab alike. The attitude of politicians in Great Britain towards the new proposals for a legislative council should be governed first and foremost by a determination to strengthen him in his task of seeking to combine the fulfilment of legitimate Jewish ambitions with the exorcision of the fear of subordination that lies at the root of Arab disturbances.

THE NEW NAVAL TREATY

THE London Naval Conference, which opened on December 9, 1935, came to an end on March 25. In spite of grave difficulties, which had been clearly foreseen and which threatened to prove insuperable, the conference succeeded in evolving a new limitation treaty. It is not an ideal treaty, and it is so hedged about with reservations that its efficacy is likely to depend more on the spirit in which it is observed than on the literal interpretation of the text. Nevertheless, the new covenant is a decided achievement, and provided the adhesion of the other important naval Powers can be secured it should impose a valuable check on the competitive expansion of naval armaments during the next six years.

The position at present is that the treaty has been signed by Great Britain and the Dominions, the United States, and France. Italy is holding aloof for political reasons not directly connected with the naval question, but it has been semi-officially intimated that she may become a signatory if and when her dispute with the League Powers is adjusted. Japan formally withdrew from the conference on January 15, after the rejection of her proposal for a "common upper limit" of naval strength. She had, therefore, no hand in the drafting of the treaty and shows no inclination to become a party to it. Under a show of intransigence, however, self-interest will probably dispose her to conform to the substance of the new rules, which, in effect, perpetuate the local strategical supremacy that she already possessed. Germany is apparently willing to enter into a bilateral agreement with Great Britain covering the same ground as the new treaty, but stipulates for an Anglo-Russian agreement on identical lines. It is understood that

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negotiations with Berlin and Moscow in this connection are well advanced. Nevertheless, the fate of the treaty still remains uncertain. It is intended to come into force on January 1, 1937, and to endure for six years, but the opening date is contingent on timely ratification. Further, it is well understood that if the treaty is to be confined to the original three signatory Powers it is not likely to remain in operation for the specified period. Its utility depends largely on the extent to which the Powers not yet associated with the treaty decide to conform to its provisions.

I. QUALITATIVE LIMITATION

MONTHS before the conference assembled it was known that the chances of achieving any new measure of quantitative limitation were negligible. This could only be done by retaining the ratio system, to which, however, Japan was inflexibly opposed. The most that could be hoped for was an agreement on qualitative limitation, coupled with a formula for the reciprocal exchange of information about shipbuilding programmes. Very wisely, therefore, the conference directed its main effort towards these secondary objectives, after the first perfunctory, yet necessary, attempt to find an alternative method for the numerical restriction of navies had failed, and after a British proposal that the signatory Powers should each make unilateral and voluntary declaration limiting their naval construction over a period of, say, six years had equally come to nothing.

Apart from Japan's demand for a common upper limit of naval tonnage, the only definitely constructive thesis advanced during the conference was contained in the British proposals for qualitative limitation. The United States, French, and Italian delegations were all backward in making positive suggestions, and it was left largely to the British representatives to press the case for a further reduction of naval armament. The only American proposal

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relevant to the broad issue was for an immediate percentage cut in the combatant tonnage of all five navies, and this, being merely a perpetuation of the ratio system in another form, was promptly rejected by Japan, France, and Italy. The British proposals, on the other hand, represented a comprehensive plan for reducing both the cost and the aggressive power of naval weapons without any sacrifice of relative or defensive strength. These proposals had already been laid before the Disarmament Conference in July 1932, and having then proved unacceptable they were now regarded as simply providing a useful basis for further discussion.

Naval experts of every country except the United States consider the existing standards of tonnage to be excessive. Since 1914 the size of capital ships has increased by about 30 per cent., and all other categories have grown in proportion, though no convincing argument of a strategical or tactical nature has ever been advanced in defence of this tendency. Within the same period, building charges have increased out of all proportion, with the result that a modern capital ship costs at least three times as much as its 1914 predecessor, and the price of cruisers is four times greater than it was in those days. Clearly, therefore, the first step towards mitigating the financial burden of naval defence must be a drastic cut in warship dimensions. This has been all along one of the aims of British policy, but its attainment depended, of course, on the unanimous support of other Powers. Unfortunately the attitude of the United States has defeated the attempt. Her naval officers have succeeded in convincing their Government that none but ships of great tonnage are fully effective for American naval purposes. They rest their case on the plausible argument that the dearth of friendly bases in the Pacific makes it essential that every United States warship be endowed with abnormal cruising range and great capacity for carrying war stores, together with the maximum power of resistance to all forms of attack. These qualities, they contend, cannot

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be embodied in a ship of moderate dimensions; hence it would be contrary to the national interest to accept standards of tonnage lower than those established by the Washington treaty. This attitude was successfully maintained at the recent conference, even though the American delegation did agree to a temporary modification of the cruiser standard.

In the following table the new limits proposed by the British Government are compared with those actually agreed to at the Conference and incorporated in the resulting treaty :—

	<i>British Proposals.</i>		<i>Conference Limits.</i>	
	Max. displacement. <i>tons.</i>	Max. gun calibre. <i>ins.</i>	Max. displacement. <i>tons.</i>	Max. gun calibre. <i>ins.</i>
Capital ships	25,000	12	35,000	14
Aircraft carriers	22,000	6·1	23,000	6·1
Cruisers, "A" class (10,000 tons, 8-in. guns)	Abolition	—	Building suspended during the period of the treaty.	
Cruisers, "B" class	7,000	6·1	8,000	6·1
Flotilla leaders	1,850	5·1	<div style="display: flex; align-items: center;"> { <div> Now included in sub-category (c) of "light surface vessels," limited to 3,000 tons and 6·1-in. guns. </div> </div>	
Destroyers	1,500	5·1		
Submarines	Abolition, or, failing this, 250	—	2,000	5·1

It will be observed that the standard of 35,000 tons for capital ships remains unaltered, though four out of the five conference Powers wished to reduce it to 27,000 tons—a compromise figure arrived at by Great Britain, Japan, France, and Italy. The success of the tactics of passive resistance adopted by the American delegation is apparent. True, the calibre of capital ship guns has been reduced from 16 in. to 14 in., but this is of purely technical significance. It simply means that the reduction in calibre will

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enable the heavy battery of future ships to be increased by three or more guns, or, alternatively, the armour protection to be improved. In short, the capital ship is exempt from the new process of qualitative limitation.

As compared with the original Washington treaty limit of 27,000 tons, future aircraft-carriers are to be 4,000 tons smaller. Here, however, the new treaty merely confirms an accomplished fact; for the largest carrier now building (H.M.S. *Ark Royal*) displaces only 22,000 tons, and similar vessels under construction for other navies are all below 20,000 tons. The giant carrier has, in fact, fallen into disrepute on account of its inordinate cost and extreme vulnerability.

By far the most important item of qualitative limitation in the new treaty is the temporary suspension of building of Class "A" cruisers, a type that owed its genesis to the Washington Conference of 1921-22. There the United States claimed the right to build cruisers equivalent to the British "Hawkins" class, which were ships of 9,800 tons armed with 7.5-in. guns. The new type was therefore standardised at 10,000 tons with 8-in. guns. Outside the United States it has never been popular; for the subordination of protection to speed and gun-power makes these ships dangerously fragile, and at the same time they are very expensive to build and maintain. While it might be ungracious to analyse too closely the motives that have prompted the United States to renounce for six years a type of vessel to which its naval experts are notoriously partial, it is permissible to point out that American naval critics, with one accord, explain that their navy is for the time being amply provided with "A" class cruisers, that the shipyards of the Union are at present occupied with work which will keep them busy for several years to come, and that the treaty only bans the construction of "A" class cruisers for a limited period of years. Be that as it may, the restriction of all new cruisers laid down before the end of 1942 to a displacement of 8,000 tons and an armament

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of 6·1-in. guns is particularly welcome to Great Britain, who may have to undertake the building of at least five cruisers a year for the next four or five years.* Had the old cruiser standards remained in force, a certain number of these vessels would necessarily have approximated to 10,000 tons, and their cost would therefore have been proportionately higher.

One important effect of the new treaty is to enlarge the category of "light surface vessels" to include flotilla leaders and destroyers, which had hitherto formed a separate class. As the official memorandum on the Conference explains, this change has been made to meet the wishes of other Powers, none of whom except the United States and Japan has ever accepted a separate leader and destroyer category. It has the advantage of settling the long controversy over the classification of the numerous huge "flotilla leaders" possessed by France, which were rated as "destroyers" in their own country and as "cruisers" by the British Admiralty. Henceforth we, in common with other Powers, will be free to build similar vessels should they be regarded as necessary or desirable.

In respect of the abolition of submarines, or alternatively their restriction to a tonnage incompatible with high-sea cruising, the British case has failed completely. Submarines eight times as large as the limit proposed by Great Britain may be built, and vessels of that size will have a cruising range not inferior to that of a capital ship or cruiser. The facts must be recognised, not only that the submarine weapon is a permanent addition to the armoury of naval warfare, but also that the majority of the Powers are averse from imposing severe technical handicaps on its future development. In view of this overwhelming verdict it may be questioned whether Great Britain would be wise in continuing the campaign for outlawing the submarine, especially as the rules governing the conduct of this class

* See the White Paper on Defence (Cmd. 5107).

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of vessel in war-time are now, for the first time, to be universally accepted. In their original form these rules were an appendix to the Washington naval treaty, but not an integral part of it, and associated with them were certain restrictions on the use of poison gas which not all the Powers found themselves able to accept. The same rules were incorporated in the London treaty of 1930, which was ratified by the British Commonwealth, the United States, and Japan, but this treaty was not binding on France or Italy. During the recent London Conference, however, the two latter Powers intimated their desire to adhere to the submarine rules. Accordingly a separate protocol embodying the rules has been drawn up and should in due course be signed by all the principal naval Powers, including, it is hoped, Germany and Russia. Their effect is to bind submarines, in common with other types of warships, to observe the regulations of international law when operating against merchant ships, and to render illegal the "unrestricted" methods that made the submarine so grave a menace to commercial shipping in the Great War. The universal acceptance of the rules in question will be a notable achievement, adding one more to the existing parchment safeguards against the misuse of weapons in warfare.

II. EXCHANGE OF INFORMATION

PART III of the new treaty, which is entitled "Advance Notification and Exchange of Information," contains provisions that are entirely new, and is justly regarded by the Governments concerned as an international covenant of high significance. The main provision is that the signatory Powers will communicate to each other within the first four months of each calendar year their annual programmes of construction or acquisition of the principal classes of warship, giving all essential technical details of each vessel, such as complete dimensions, speed, number, and calibre of guns, torpedo armament, minelaying, and

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aircraft equipment. Once these programmes are declared, no increase may be made in the number of vessels included in the declaration for the current year—subject, however, to the operation of various safeguarding clauses—nor can any ship be laid down until after the lapse of four months from the date of declaration.

The safeguarding clauses referred to cover such contingencies as war, naval expansion by a Power outside the treaty, or any other “change of circumstances” that might lead a signatory to suppose its security to be endangered by a strict observance of treaty obligations. Similar clauses were inserted in the earlier naval treaties, though they were never invoked.

It is claimed, and with reason, that the new system of advance notification of construction should go far towards removing the element of secrecy from naval preparations which has been in the past a fruitful source of mistrust and friction. One has only to recall the period 1909–14, when sudden additions to, and reported accelerations of, the German naval programme frequently gave rise to alarm in this country and undoubtedly embittered the relations of the two peoples. A repetition of that state of affairs will be impossible if the new treaty is ratified and eventually secures the adhesion of other important naval Powers not represented at the conference.

There is, however, one conspicuous omission which has a special significance for the members of the British Commonwealth. This concerns the future of those actual and potential naval bases in the Pacific which formed the subject of a special clause in the Washington treaty, forbidding the further development of existing bases and the construction of new fortifications or naval facilities within a defined area. For the British Empire, this area embraced Hongkong and insular possessions in the Pacific Ocean east of the meridian 110 deg. east, except (*a*) those adjacent to the coast of Canada, (*b*) Australia and its territories, and (*c*) New Zealand. The United States waived the right to

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proceed with the military development of its projected bases in the Philippines and at Guam, while Japan agreed that her outposts in the Kurile Islands, the Bonins, Amami-Oshima, the Loochoo Islands, Formosa, and the Pescadores should remain *in statu quo*. The effect of this agreement was materially to lessen the chances of armed conflict in the Pacific, by depriving the various fleets of advanced bases and thus making it exceedingly difficult for them to establish physical contact. However, the non-fortification clause, being an integral part of the Washington treaty, will lapse at the end of this year, and so far no action appears to have been taken to devise an alternative safeguard. As the balance of power in the Pacific is a matter of abiding concern to the British Commonwealth as a whole, the future of the insular bases in question would appear to be a proper subject for diplomatic negotiation with Washington and Tokyo, as well as for discussion among the British nations themselves. Fortunately there are no immediate indications that either the United States or Japan intends to avail itself of its impending freedom of action with regard to the creation of new war harbours in the Pacific.

III. CONCLUSION

ALTHOUGH the failure of the recent naval conference to achieve any form of quantitative limitation is to be deplored on general grounds, it is not without compensating advantages. To this country, faced as it is with the urgent task of restoring its long-neglected defences and providing against new commitments both in northern waters and in the Mediterranean, a treaty that bound us to a fixed limit of naval tonnage might have proved a serious embarrassment. As things are we remain free to build up to actual requirements instead of having our naval power rationed according to a "yardstick" which, as experience has shown, allows of no margin of strength for

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those sudden contingencies which are liable to occur while the world remains in its present troubled state.

Throughout the negotiations that resulted in the new treaty, as well as in the actual drafting of that document, the British Commonwealth delegations worked harmoniously together. Mr. Vincent Massey for Canada, Mr. Bruce for Australia, Sir James Parr for New Zealand, and Mr. R. A. Butler, the Under-Secretary of State for India, one and all gave unremitting attention to the work of the conference and were responsible for many of the clauses embodied in the treaty. From the point of view of the Dominions the suspension of quantitative limitation may not be wholly unwelcome. At least it will enable them henceforth to develop their respective naval forces according to their individual requirements, whereas under the expiring treaties each Dominion navy had to be kept within a narrow limit of tonnage in order that the quota for the whole Commonwealth—which for treaty purposes was regarded as a unit—should not be overstepped.

Upon Anglo-American relations the London conference has had the happiest effects. The letters exchanged between Lord Monsell and Mr. Norman Davis, the United States head of delegation, immediately after the signing of the treaty constitute a "gentlemen's agreement" which excludes the possibility of naval competition between the two countries. The principle of parity is maintained, but neither will take offence should a change of circumstances compel the other to bring its naval defences to a higher level of strength than would normally be reached.

As for the remaining Powers, whether signatory or non-signatory, it is a reasonable assumption that the economic factor represented by the enormous cost of modern naval material will automatically check any tendency to initiate a new race in naval armaments.

NATIVE POLICY IN SOUTH AFRICA

From the South African Round Table Group

I. THE HISTORY OF NATIVE POLICY

DURING its current session the Union Parliament is debating land, labour and votes, the fundamentals of South African politics. It has already passed a Native Representation Bill that reduces to a skeleton what the Union settlement of 1909 had left of the original Cape native franchise, but on the other hand gives the Bantu in the remaining three provinces some measure of representation for the first time. It now proposes to carry a Natives Land and Trust Bill, which is also a labour Bill. It will thus complete a process begun long since, whereby the right of the Bantu majority to acquire land will be confined to certain portions of the Union, and native squatters (*metayers*) will be either transferred to the reserves or transformed into short-term labourers or labour-tenants.

These two Bills have a long history behind them; in effect the history of South Africa for a full century past. A hundred years ago, numbers of Afrikaner frontier farmers trekked away from the Cape Colony to seek the security for their ideas and way of life that they could no longer find in their old homes. In their republics of the Orange Free State and the Transvaal, the franchise was based on the frontier principle of "one armed white man, one vote", and so it remained for the "old burghers" and their sons to the end. Later comers, being white men, could acquire the franchise on varying terms; but non-Europeans could never acquire it because they were not white. As for land

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and labour, the general idea was that each burgher was entitled to at least one farm duly stocked with five families of native labourers; while redundant natives were to remain within their own vaguely defined areas and, as a rule, furnish labour when called on. The Free State barred out Asiatics absolutely; the Transvaal made their entry and right to hold land as difficult as the Imperial Government would permit. In neither republic was any distinction worth mentioning drawn between natives and the few coloured mixed-breeds within their borders.

Natal, as a British colony overrun with Bantu, pursued a compromise policy. Considerable though scattered reserves were set aside by the Imperial authority; labour was induced by the poll-tax and, of course, by the new needs and desires bred of western civilisation; and the franchise was framed on a non-racial basis easily accessible to all who came under the ordinary law of Natal. But the Bantu did not come under that law. They remained under a modified form of their own law. Provision was indeed made whereby individuals could, after a probation long enough to ensure that they had shed their tribalism, be exempted from native law and, after a further period, obtain the franchise by grace of their European neighbours and the Government. But very few were granted letters of exemption and hardly any ever received the vote. Similarly, soon after Natal achieved self-government, the franchise was withheld from Indians, save by grace of the Government. The small group of coloured folk in the colony were, however, permitted to acquire the franchise and land like any European.

The policy of the parent Cape Colony was different. After the sweeping reforms of 1828-42 whereby the coloured folk, bond and free, were put upon a footing of legal equality with white men, the colony relied for labour on the same forces as did Natal, and it set no check on the right of any free man to acquire land. Its franchise, instituted in 1852-53, was simple and non-racial.

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It is sometimes said, indeed it was said during the recent debates in Parliament, that there was a good deal of make-believe about the Cape native franchise, that it had never been intended for Bantu and that, as soon as any large numbers of them became eligible, the qualifications were raised to keep them out. It is perfectly true that the franchise was framed with an eye mainly to Europeans and coloured folk; for in the 'fifties there were very few Bantu within the colony. But the Bantu were not debarred. Nor were they ever debarred as Bantu, but only as uncivilised men. This exclusion took place almost entirely between 1887 and 1894, when the Cape was annexing great native territories between the Kei river and the Natal frontier, and recent mineral and agricultural developments were enabling swarms of obviously uncivilised Bantu to come up to the simple financial qualifications fixed a generation back. Lands held on tribal tenure, and even the specially safeguarded individual lots granted to natives in terms of Rhodes's Glen Grey Act, were not recognised for franchise purposes; the registration laws were tightened against men of all colours and, in 1892, some of the financial qualifications for the franchise were raised and an education test was added. This last step was taken avowedly to keep out the raw "blanket Kaffirs", but again it was applied to men of all colours. To make the meaning of it all clear, the "Hofmeyr Act" of 1887 relieved enfranchised natives of the special restrictions that had been imposed on their still tribal brethren.

Further, the very fact that the numbers of the Bantu on the Cape roll between 1892 and 1935 never rose above some 16,000 suggests that the Cape franchise was a genuine civilisation test. The Cape politicians realised as clearly as did Republicans and Natalians that it was no easy thing to transfer a man from one state of society to another. But whereas the Republicans said in effect that it could not be done, and the Natalians that it was not going to be done, they said it could be done. And done it was, well enough

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for practical purposes, for three generations, so that the more advanced of the unenfranchised Bantu everywhere looked to the Cape franchise as a symbol of hope that they too might one day be recognised as civilised voters in a civilised community.

The course of events that followed the South African war of 1899-1902 was governed by the Treaty of Vereeniging that ended the war and by the report of a South African Native Affairs Commission that was published some three years later. Under the treaty, the ex-Republicans were promised that no non-European franchise would be instituted before they had been granted parliamentary government. Of the report of the Commission, the first to handle the South African native question as one thing, it is sufficient to note that nothing came of it at the time, but that since Union it has served as an armoury for the champions of segregation in all matters relating to land, labour, and the franchise.

Of these three problems the last was at that time the most insistent. Presently the two ex-republics were given self-government with franchises based on white manhood suffrage. Hence, when delegates from the four colonies met a year or so later to make the Union, the Cape men with their liberal policy were hopelessly outweighed by those from the ex-republics and Natal, all the more in that the latter held the whip-hand economically. In the end a compromise was effected. Non-Europeans in the Cape lost the right they had enjoyed thitherto, but never exercised, of sitting in Parliament, and were not even to be counted when seats in the Lower House were allocated from time to time; but they retained the right of sitting in the Cape provincial council, part successor of the Cape Parliament, and retained also the individual vote with the civil liberties that it ensured them, until it should be taken away by a two-thirds majority at the third reading of a measure in the two Houses sitting together.

The lines along which Union policy towards

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non-Europeans was to run were made clear during the next three years. A Mines and Works Act empowered the authorities to make regulations that would exclude non-Europeans from many forms of skilled and semi-skilled work in the two ex-republics. In 1912, the nascent Labour party and General Hertzog as leader of the Free Staters gave the first hint of the Nationalist-Labour combination that was to take office twelve years later by demanding, independently, the segregation of the Bantu politically, industrially and territorially in the interests of White South Africa. Lastly, the Natives Land Act of 1913 took away from the natives of Natal, the Free State and the Transvaal the few rights that some of them had of acquiring land outside their existing reserves and the additional areas that were promised them, and provided for the steady elimination of native squatters. The Cape Bantu, however, were virtually exempted from the labour clauses of the Act, and were further relieved of the restrictive land clauses by the Courts, which ruled that they must be free to acquire land as one means of gaining the vote.

No comprehensive native policy was possible during the confusion of the war years; but once the struggle was over two important steps were taken. All parties agreed that the Executive might permit natives in the three northern provinces to acquire land in the additional areas common to the reports of various abortive commissions, while the "Smuts Act" of 1920 set up a permanent commission to advise the Prime Minister on native affairs, provided for the extension of the Cape system of local councils to other parts, and projected periodical conferences of chiefs, headmen and other Bantu notabilities on a Union-wide scale.

Meanwhile, under pressure of war conditions, the Union's secondary industries had developed, and a swift flow of Europeans from the farms to the towns was taking place. Non-European competition in urban employment became a serious matter, and in 1921 an alarmist census report convinced many white South Africans that they were in

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danger of being swamped by alien folk. Next year a serious rising took place on the Witwatersrand in defence of the colour bar in industry.

The Rand rising was crushed; but from its ruins rose the Nationalist-Labour Pact, which ousted the Smuts Ministry in the middle of 1924. General Hertzog, the new Prime Minister, promptly set about safeguarding White South Africa. He braved the wrath of many of his northern followers by insisting that the coloured folk must be taken into the white community in every way except socially. On the other hand, he proposed to sever Bantu from non-Bantu society as completely as possible. There were to be two societies within the single State of the Union, each developing on its own lines, always provided the Bantu realised that their relation to civilised men must be based on inequality—inequality especially in the political sphere. Since the other provinces would not hear of the extension of the Cape native franchise thither, and since grave dangers to white society would ensue if they did, that franchise must at least be superseded by a communal franchise.

If the segregation programme that General Hertzog embodied in the four Bills of 1926 is to be seen in its proper perspective, it should be held up against the background of a welcome improvement in administration, which dates from the time of Union, and a code of native legislation, principally of the years 1924-32,* whose general effect has been to limit the freedom of the Bantu in most parts of the Union. The Cape Bantu have been preserved from the full pressure of this code by their possession of the individual franchise or the right to aspire thereto.

The first of the four Bills of 1926 proposed to furnish the additional areas of land that had been promised to the Bantu in 1913. The second would have destroyed the Cape native franchise, and enabled the Bantu everywhere, voting through their chiefs or committees of various kinds, to elect seven Europeans with limited powers to the House of

* See THE ROUND TABLE, No. 87, June 1932, pp. 658 *et seq.*

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Assembly. The third projected a Native Council, partly elected and partly nominated, which under official guidance should pass ordinances binding upon natives. The fourth Bill dealt with coloured persons. Those in the Cape were to retain their franchise, while those in the other provinces who could pass a civilisation test were offered some immediate representation and the hope of the full franchise in seven years' time.

In face of hostile criticism and more pressing preoccupations, General Hertzog entrusted his programme to a select committee. Early in 1929 he introduced the two revised franchise Bills at a joint session of the two Houses. Coloured persons were to fare much as before, though those in the north were now to wait ten years instead of seven for the full franchise. The Bantu were in many respects to fare worse. Those who were already on the Cape roll were to remain there, but others in the Cape who qualified thereafter were to be entered upon a separate roll and, as their numbers increased, were to return two senators and three members with full powers to the Lower House. Bantu in the other three provinces, voting through their chiefs and committees, must be content to elect two senators and, in ten years' time, two more.

The revised Natives Franchise Bill failed to secure the requisite two-thirds majority. The whole programme was therefore withdrawn, and presently General Hertzog appealed to the country, chiefly for a mandate to make South Africa safe for white men. He gained a substantial majority in both Houses, but, for all that, he wisely referred his segregation programme to a joint select committee of both Houses.

The programme remained in the hands of the joint committee for five years. During that period much happened. In 1930 all European women in the Union were given the vote, and, next year, European men in the Cape and Natal were relieved of the financial and educational tests that had hitherto been demanded of them in common

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with men of other colours. Thus all hope of fixing a uniform South African franchise on a civilisation basis was destroyed.

Early in 1933 the two great parties, led respectively by Generals Hertzog and Smuts, joined forces. This alliance was cemented at a "coupon" election in May of that year, which left the strength of the parties much as it had been after the "Black Peril" election four years earlier; fusion followed, marred only by the breaking away of the "purified" Nationalists on the one hand and the Dominion party on the other; and in May 1935 the joint select committee reported.

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THE Joint Committee had not been called upon to deal with the rights of coloured persons, but it had reduced the three remaining Bills to two, a Lands and Trust Bill and a Natives Representation Bill.* The former followed the main lines of the Bill of 1926. Certain areas were to be "released", and there the Bantu were to be free to acquire land with the assistance of parliamentary loans. Existing reserves and released areas together would thus open to them some 12 per cent. of the area of the Union. Many of these native areas were fertile, much more so than wide tracts of the land reserved for non-Bantu occupation; but they would furnish a broken foundation for a society that was to be called upon to develop along its own lines, and, though details were hard to come by, it soon became clear that many of the released areas were already tolerably full of natives.

The Representation Bill was less liberal than either of its predecessors. In 1926 the mixed-breed grandson of a pure-blooded native had been encouraged to hope that he might be included in the comparatively privileged ranks

* See THE ROUND TABLE, No. 100, September 1935, pp. 722 *et seq.* for a full discussion of these draft Bills.

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of the coloured folk; but now only great-grandsons might cherish that hope. Next, the Cape native franchise was to be swept away. Bantu on the Cape roll were indeed to remain there, but no more were to be added. In future the Bantu in all four provinces, voting through their chiefs and community organisations, where these existed, were to return four Europeans to the Senate and, in seven years' time, six. The Cape Bantu "community" was also to send to the provincial council two members, who might be non-Europeans. Finally, the Bantu "communities" in the four provinces were to elect twelve natives to sit on an Advisory Council alongside of five European officials and four nominated natives under the chairmanship of the Secretary of Native Affairs. This council was to meet annually, to make suggestions to the Union and provincial authorities, and to pronounce upon any legislation that they might project. It would thus mark an advance on the "Smuts Act" councils, which had been pretermitted for years at a time; but it would mark a falling-off from the proposed council of 1926, which was to have had limited powers of legislation. Nor was there to be any compulsion on Parliament or provincial councils to pay heed to its suggestions or protests.

During the latter half of 1935, both Bills were subjected to searching criticism at the hand of various Bantu conferences, the great majority of which had been summoned officially.* Nevertheless, the most authoritative of these assemblies, the All-Africa Native Convention that met at Bloemfontein in December last, accepted the fact that the franchise had been given to all European adults once and for all, and asked only that non-Europeans should be admitted to political privileges on passing a reasonable civilisation test.

Parliament opened on January 24, 1936, with the two Native Bills prominent in the speech from the Throne. Both Bills were avowedly non-party measures, and men

* See THE ROUND TABLE, No. 102, March 1936, pp. 414 *et seq.*

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recalled the fact that at the time of the coalition of the two main parties in 1933 liberty of action to Ministers and members alike had been guaranteed in this matter. It soon became doubtful whether the Franchise Bill would secure the necessary two-thirds majority, and certain that one and possibly more than one Minister must vote against it. Opposition outside Parliament also became more vocal. A European-Bantu Conference drawn from all parts met in Cape Town and condemned the measures root and branch. Its continuation committee organised a crowded protest meeting in the City Hall, and Sir James Rose-Innes, one of the sponsors of the Cape Franchise Amendment Act of 1892 and ex-Chief Justice of the Union, not only addressed that meeting, but also made ready to present a petition at the bar of the House.

Presently there was talk of compromise. The origins of this compromise are obscure, but the general course of events is clear enough. The executive of the All-Africa Native Convention interviewed the Prime Minister and found him "adamant"; he would not even consider a tentative and despairing suggestion that he should return to the principle of the 1929 Bill and allow the Cape Bantu three members elected by the individual votes that meant so much to them. The majority of the executive then went home; but the few who remained either approached or were approached by a group of Eastern Province and Border members of Parliament who were genuinely anxious to meet them as far as they could, and also, since they were human, anxious to avert a Cabinet crisis. After further discussion, in which some Cape Town members joined, one or two of the Bantu delegates accepted the 1929 scheme to save something from the wreck, and summoned their colleagues back to Cape Town to discuss the situation. Meanwhile the members of Parliament took unofficial soundings with encouraging results.

The All-Africa executive reassembled and, with the Franchise Bill already before the Houses, interviewed the

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Prime Minister once more. This time they were told that, if they would propose a return to the 1929 scheme, the proposal would be considered favourably. After prolonged debate among themselves, they refused to do so. They held themselves bound by the resolutions of their convention, bound therefore to reject for themselves and their children an inferior and restricted citizenship. Responsibility for anything that was done or not done must rest with the wielders of power in South Africa.

Three days later, on February 17, General Hertzog startled Parliament and the country by announcing, with the candour that is his most charming characteristic, that since he had always been anxious to secure the greatest possible measure of consent and now realised that, quite apart from the Bantu, a large and influential section of the European community was resolutely opposed to his Franchise "Bill No. 1", he proposed to substitute for it "Bill No. 2" based upon the principles of 1929. This unexpected "compromise" was condemned by the All-Africa executive and by a widely-signed European petition; but it speedily became clear that it was acceptable to the bulk of European opinion and most assuredly to the overwhelming majority of the two Houses. Mr. Pirow, Minister of Railways and Defence, undoubtedly spoke for many when he exulted that "at last the United party presents a united front on the native question", and presently noted that the northerners regarded the business as settled for a hundred years to come.

There is no need to follow "Bill No. 2" through all its stages. It passed the second reading on March 4 by 132 votes to 11, suffered no radical change in committee, and passed the crucial third reading on April 6 by 169 votes to 11.

Briefly, the Bill comes to this. The Cape Bantu are to retain the individual vote; but they are to be transferred at once to a separate roll on which others will be entered as they qualify. Enfranchised Cape Bantu, voting in three

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huge territorial constituencies, are to elect three Europeans to the House of Assembly, and two members to the provincial council. But this time the latter are to be Europeans. This change was hailed by General Kemp, "speaking as a Transvaaler" but also as a Minister of the Crown, as a great improvement on "Bill No. 1", since white legislators would thereby be spared the "humiliation" of having to sit beside a black one. All "rights, privileges and exemptions conferred by law on registered voters" are specially preserved, but the old freedom to acquire land anywhere in their own province is not preserved to the Cape Bantu; for that right was not secured by definite enactment but only by the ruling of the Courts. Finally, the new position is doubly entrenched. The attenuated Cape franchise can still only be taken away by a two-thirds majority; on the other hand, native representation can only be increased by that almost unattainable means.

The remainder of "Bill No. 1" stands, with this improvement, that the scattered labourers and squatters on European lands are to be given a voice in the election of members of the Native Council. For the rest, all the representatives of the Bantu, whether European or native, are to be elected every fifth year at a special general election, so that non-Bantu and Bantu need no longer meet when they vote, an "easy association" which in General Hertzog's view points straight to miscegenation.

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GENERALS Hertzog and Smuts both recommended the Bill as a compromise that was receiving the well-nigh unanimous approval of Parliament—but with this difference. The Prime Minister regarded it frankly as a second best, while his colleague, who on his record in the joint select committee could never have voted for "Bill No. 1", hailed it, "together with the Land Bill which is to

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follow it", as a settlement of an immensely difficult problem that he could accept cordially.

True to the line that he has followed from the first, General Hertzog argued that the Bill would go far to ensure the equal treatment of the natives in all four provinces, make an end of the uncertainty that enabled certain white men to advise the natives "contrary to the attitude taken up by the white people as a whole", and relieve White South Africa of all fear of miscegenation and black domination. He has always based his segregation policy, and especially his attack on the Cape native franchise, on the grounds of self-preservation. "The native", he now affirmed, "whatever his rights, has no claim on us to give him anything that is inconsistent with our own existence"; till the Cape franchise had been modified drastically, Europeans could not be "seriously expected to consider the lasting interests of the natives". But once the franchise issue was out of the way and old fears dispelled, Parliament and public would be able to handle native affairs "impartially and objectively"; in short, "to act honourably towards the natives". It should then be Parliament's "first duty" to help them, financially and otherwise, in fullest measure.

Speaker after speaker, including General Smuts and Mr. Pirow, testified to the reality and the warping influence of that fear of ultimate black domination; and many, notably General Hertzog and Mr. Patrick Duncan, Minister of Mines, argued that it was beside the point for defenders of the native franchise to plead that Bantu voters were few and had even decreased in numbers of late years. That might be so; but their numbers would increase fast as education spread, and in fifty or a hundred years' time might tilt the balance fatally against the white vote. Were white defenders of that franchise prepared, they asked, to see it extended throughout the Union on a democratic basis and without tinkering with the qualifications every time the black voters became numerous? It was a hard question.

· It followed from the denial of full citizenship to the

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Bantu that the Europeans must regard themselves as trustees for native welfare. That responsibility was assumed by many speakers, in spite of the fact that thousands of the trustees, especially those enfranchised in 1930-31, lived in daily dread of the economic competition of their dusky wards.

Side by side with this assumption of trusteeship went a very generally expressed desire to win and retain the goodwill of as many of the Bantu as possible, and a persuasion that the Bill would facilitate that end. General Smuts held that the Cape native would retain "enough of his old position to be satisfied", whereas before the compromise he had risked losing everything; while the Prime Minister maintained that the senatorial representation that was offered to the Bantu as a whole, and the special representation of the Cape Bantu in the Lower House, would give them "far more than they possessed already". At the same time he hastened to assure doubters that the three Europeans elected by the Cape natives could not endanger white supremacy in an Assembly of 153 members.

The two Generals were also sanguine of the future of the Native Advisory Council. The Premier suggested that this would be of more value to the Bantu of the Union than the Cape franchise had ever been, and General Smuts saw in it "an enormous step,—the greatest step in dealing with native affairs that has ever been taken in this country". Tracing its descent from the long-established council system of the Cape Colony (though, to be sure, those councils had formed part of a system that gave a native the right to sit in Parliament itself) he held it up as "a model for native administration for the continent of Africa", looked forward to the day when it should be given the legislative powers over natives that had been proposed, prematurely he considered, in the original Bill of 1926, and, with what was surely a momentary forgetfulness of the functions and history of Parliament, envisaged a far-off day "when we might have a separate white

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Parliament and native Parliament". Meanwhile, the council would provide an outlet for educated natives, prevent them from becoming mere agitators, and clear the Union of the charge "that we have given them no chance in this country which is also their country". For the rest, Mr. Pirow prophesied confidently that the compromise Bill would have "a favourable reaction overseas and in the Territories".

Be that as it may, the Bill did not have a uniformly favourable reception at the joint sitting. The "purified" Nationalists, led by Dr. D. F. Malan, complained that the Advisory Council would consolidate the scattered Kaffir tribes into one "native nation", destroy good inter-racial relations, and violate "the supreme principle of the protection of the white man in his capacity as trustee of the native". They advocated further a separate voters' roll and separate representation for the coloured folk, pleading that this would be merely "pressing to a logical application a principle already recognised by our legislation". Wherever statesmanship may reside, logic would seem to be on the side of Dr. Malan, and thus may freedom narrow down from precedent to precedent. Meanwhile, one Bantu leader, looking to the consolidation of his people, has remarked grimly that the present legislation may be a blessing in disguise. The Malanites voted for the Bill as something to go on with.

The Dominion party was hampered by the fact that its leader, Colonel Stallard, had supported "Bill No. 1" as drafted by the joint committee. Nevertheless it put up a dogged resistance, mainly through Mr. Coulter, one of the Cape Town members whose attitude had never been in doubt, on the grounds that the revised Bill, the outcome of a hurried party manœuvre, was being rushed without a mandate or proper time for consideration, and that it was withal so "unjust in every line so far as it affects the existing franchise" that it might well turn the Bantu against the white man's civilisation.

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The attenuated Labour party as a whole supported the Bill; but at one stage Mr. Madeley, a Rand veteran and ex-Pact Minister, moved sardonically in favour of out-and-out segregation: the provision of suitable and separate areas for all natives, expert guidance for them in those areas, governance by native councils under general parliamentary control, and payment of a minimum European wage to natives who came out to work in the European areas.

The most telling opposition to the Bill came from Senator F. S. Malan, one of the few survivors of the old Cape Parliament, and Mr. J. H. Hofmeyr, Minister of the Interior. Serious illness prevented the latter from supporting the Senator on the second reading, but on the third he delivered an admirable speech which summed up the arguments against the measure and answered those that had been used in its favour. As a Minister speaking against his colleagues, Mr. Hofmeyr was in a difficult position, even though, as he himself recalled, the Bill was a non-party measure, and the Prime Minister with his rarely failing tact absented himself during his speech. Nevertheless, he went through with it regardless of possible consequences.

Briefly, Senator Malan and Mr. Hofmeyr condemned the Bill for its definition of "Native", which virtually forbade a man with a Bantu ancestor to hope that he might one day be recognised as civilised, and threatened to depress many worthy coloured folk into the native ranks. Both lamented that no proper provision was made for the advanced urbanised native; with the examples of East Africa and other parts of the British Empire before them, both deprecated the communal franchise as the beginning of dangerous group politics, which must make "not for friendship but for hostility". In reply to those who feared that the white vote might be swamped by the black vote sooner or later, Mr. Hofmeyr pleaded that that danger was uncertain and remote; while the Senator replied that the proper safeguard was a sound qualification, preferably for

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voters of all colours but at all events for the Bantu, who had already offered to submit themselves to it, and meanwhile "there is the golden rule: Do justice and the rest will take care of itself". Both men were at one in condemning the appeal to self-preservation. "If you preserve self", said the Senator, "by treading on others your policy will never prevail". The Minister ventured to appeal to the highest authority: "whosoever will save his life shall lose it".

The Bill, Mr. Hofmeyr noted, was indeed better than its immediate predecessor but worse than the Bills of 1926 and 1929. There was no justification, he insisted, for introducing the colour bar into the Cape provincial council, virtually preventing any increase in native parliamentary representation, and removing Cape natives from the existing roll, dead against the spirit and probably also against the letter of the Union agreement. Without being wedded to the principle of a common roll, he declared that "no nation, save at the cost of its honour and its ultimate security, can take away without adequate justification a vested right of that kind".

Mr. Hofmeyr further entertained small hopes for the success of the Advisory Council, a weaker body than that envisaged in 1926 and likely to be rendered "futile" by powerful influences that had revealed themselves during the debates. As for segregation, the thing could not be done at this late hour, while trusteeship meant that the trustee should train his wards to stand on their own feet and there was here no sign that the Europeans meant to do anything of the sort. Then, in perhaps the frankest passage of his extraordinarily frank speech, he told how five years' experience as Administrator of the Transvaal, where the natives had never had votes, had taught him how "desperately difficult" it was to get any question of native development considered. It might be, he hoped and believed it was so, that the tide of reaction was on the turn, especially among the young folk at the universities; but

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meanwhile he must fight this Bill "because of the forces of reaction behind (it) which, if left unresisted, are inevitably bound to do us greater harm than anything can do us to-day".

The fervour and appeal to first principles that informed the speeches of Senator Malan and Mr. Hofmeyr have hardly been heard in our Parliament since the late W. P. Schreiner thundered against the Union franchise compromise and the Natives Land Bill of 1913. Even the serried ranks of Tuscany could scarce forbear to cheer. But they voted, and the third reading went through by an overwhelming majority.

It is devoutly to be hoped that Europeans and Bantu will combine to give the new political machinery a fair trial, though it is too much to expect that those who have opposed its creation will agree with one of our leading newspapers that, if anything goes wrong, the blame will be theirs. Meanwhile, as General Smuts reminded the Houses, the Land and Trust Bill remains to be dealt with. The terms on which loans are forthcoming from time to time will determine whether or not the additional areas are really to be made available for the Bantu. Many speakers admitted readily that generosity in this matter will be the surest proof of the sincerity of the appeal to trusteeship. In face of that reminder and the Treasurer's abounding surplus, Parliament can hardly fail to do its duty.

UNEMPLOYMENT: THE WIDER PROBLEM

UNEMPLOYMENT to-day bites deep into the national life of every industrial country, not least—despite the economic improvement of the past four years—into that of Great Britain. Her unemployment cannot be treated as a minor or temporary problem for the British Commonwealth; for the strength of a nation or an empire rests in the last resort upon the lives of its inhabitants, and unemployment stands to-day in the foreground or background of the lives of vast numbers of our people.

The habit of regarding unemployment in the statistical lump is the first obstacle to its wise consideration. In the words of the King, when Prince of Wales,

We could do something to help in this most baffling and terrible of all our domestic problems, the problem of unemployment, if we could only break it up into little pieces.

But when we have performed this necessary task we must beware of not being able to see the pattern for the pieces; for the pattern of unemployment recurs insistently in the social, economic, and political design of the Commonwealth's life to-day.

I. LONG-TERM AND SHORT-TERM UNEMPLOYMENT

NOTHING is more misleading than the habitual summarising of the unemployment problem in a single global figure. On a certain day of each month the total is cast of all those who are registered on the books of the employment exchanges throughout the country as out of a job. The result is published officially, and this is the figure with which most newspaper readers are familiar. In the years 1923 to 1929 it fluctuated round a

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million and a quarter, but with the coming of the world depression the total started to rise until in January 1933 the peak figure of 2,877,000 was reached. After that the total fell again in response to the general improvement in the state of trade until it once more became fairly stable, this time near the two million mark. In spite of the continued high level of unemployment, by last summer the figure for the total number of persons in work was the highest ever recorded for this country up to that time, and this year has shown a still further advance.*

Now, the global figure of two millions for the number of unemployed is far from revealing the whole story. The corresponding figure for the total number of different names that find their way on to the books of the exchanges in the course of twelve months is somewhere about five millions. This means that not much less than one-half of the entire insured population† find themselves out of a job at some time or other during any one year. Over a period of years the fraction of the insured population that experiences no unemployment is quite small. Even in the most prosperous areas and trades and amongst the steadiest and most highly skilled workers the possibility of unemployment is never far round the corner. Several millions of wage-earners live constantly under its shadow. Five million people every year are brought into personal contact with the machinery of the Ministry of Labour, which popular opinion has come to regard in these days as mainly an instrument for the relief of unemployment. The employment exchanges, however, were set up in 1911 with the primary object of finding jobs for men and men for jobs, and they are performing this function to-day to the tune of some two million placings yearly—an enormous

* On April 27 the number of registered unemployed was 1,831,230, and the estimated number of employed persons was 10,712,000.

† The insured population includes the great bulk of workers whose weekly wages amount to £3 or less, and aggregates to-day some 12½ million persons. The two principal industries not included are agriculture (700,000) and private domestic service (1,350,000). Legislation has been passed to bring agriculture into the insurance scheme.

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total, representing a vast social and economic benefit to the country. It is, however, still only a bare quarter of the total estimated turnover of jobs. The great majority of those whose names appear at one time or another during the year on the official registers contrive to find work again without any assistance from the official agency. This is a point that should be borne in mind in any interpretation of the unemployment statistics.

The next point of interpretation is that those whose names appear on the live register of the exchanges are not all in the same boat, or anything like it. Of those registered on a given day, about one million—half the total—have normally been out of work for one month or less, and a million and a quarter for three months or less. A man who finds himself out of work for no longer than one month in the twelve is not necessarily put to any severe hardship, having regard to the insurance benefits to which he is entitled in return for premiums paid by him whilst in work, and he should certainly not be in any immediate danger of demoralisation. Most government departments and some private firms allow their employees a holiday each year on full pay, apparently with excellent results. It is a pity that the exigencies of competitive business seldom appear to allow of such a concession, although of course it would be a mistake to assume, without inquiring deeply into the economics of costs and earnings, that the generalisation of holidays with pay would go any distance towards solving the problem of unemployment.

At the other end of the scale, by contrast, there are some 300,000 people who have been out of work for a year or more. Their position is about as bad as it could well be, and there are a number of others who are but little better off, since they find themselves with not much more than a month or two of work in the year. A high proportion of these long-term unemployed are older men, and the bulk of them are concentrated in the parts of the

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country that are now officially termed the Special Areas—Durham and Tyneside, South Wales, the industrial districts of Scotland, and Cumberland and the North-West coast.

It is obvious that we have here two quite distinct problems. On the one hand there are millions of people—distributed over the whole country and forming over a long period the majority of the insured population—who suffer from insecurity of tenure of employment. In contrast to them there is a far smaller number—some hundreds of thousands at most, and for the greater part concentrated in certain well-defined areas—who for all practical purposes have no job at all.

II. THE SPECIAL AREAS

THE essential facts about the second and grimmer of these problems are simple. In 1923, our main group of exporting industries—coal-mining, cotton, general engineering, iron and steel, shipbuilding and marine engineering, woollen and worsted—were looked to as their source of livelihood by nearly 30 per cent. of the insured population, and close on 2½ million people were actually employed in them. In 1932 they were employing a million fewer—only 17·5 per cent. of the insured population in employment.

These industries are certainly not dead, but they have in all probability suffered a permanent contraction. Their producing capacity was based on the requirements of markets all over the world that were being opened up to British industry by the fertilising streams of British capital investment overseas. For good or ill we have to recognise that those days are over. In some industries the tide had already set before the end of the last century. In others the inevitable tendency was obscured by the abnormal activity of the heavy industries in the immediate pre-war years, largely stimulated by armament orders. We should not again allow this factor, which is once more beginning to operate, to blind our eyes to the true long-term

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movement. The tide of economic self-sufficiency is still running strongly and may not turn for many years to come. Long before then the economic structure of the great manufacturing countries will have been moulded in fresh shapes, entirely different from those that fitted into the nineteenth-century structure of British industry.

What has happened to the men who previously looked to these contracting trades for their livelihood and who have now become surplus to their labour requirements? The figures of the whole-time unemployed tell some of the tale. Elsewhere the extent of the tragedy is partly concealed by the device of permanent short-time, with its accompaniment of low weekly earnings, which is no better than a dangerous makeshift. Then, too, there has all along been a steady trickle of men flowing to the more prosperous South, a trickle that under the influence of official encouragement has latterly swollen to a considerable stream. In the course of 1935 about 12,000 workers, including 3,000 juveniles, were assisted in their migration to the South by the machinery of the Ministry of Labour. Some were given intensive six-month courses in a new trade and all were steered into employment. It is estimated that at least as many more found their own way from the Special Areas without the help of any official agency. The fact that these migrants have naturally included a high proportion of younger men and of the more intelligent and resourceful element in the working population has tended to make even more gloomy the situation of those remaining. The plight of the older men who have fallen out of work in these areas is nothing short of a tragedy. The efforts of devoted social workers, and of the Commissioners appointed at the end of 1934 to approve and carry out plans for ameliorating the condition of the population in these Special Areas,* have indeed mitigated the distress, but in the nature of things the remedies that

* See THE ROUND TABLE, No. 97, December 1934, pp. 150-154, and No. 100, September 1935, pp. 801-804.

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they have been able to apply have been little more than palliatives. The fact that in these depressing conditions the people have maintained in a high degree their decency and self-respect speaks volumes for the essential soundness of the stock from which they come.

On the face of it there are only two ways of dealing effectively with the situation. The one consists in transferring the population that is surplus to the labour requirements of an area to the places where new industries are springing up. The other is to bring new industries and plant to the place where the surplus labour is. In an old and crowded country like Great Britain the wholesale migration and resettlement of population present almost insuperable difficulties, and even if they were possible would be undesirable for many reasons. London and its suburbs and satellite towns have already expanded too far and too fast, from the social, health, and æsthetic points of view. The heaping up of population in the quarter of these islands nearest to Europe constitutes a grave and growing strategic liability. To construct new houses, roads, schools, and public utilities of all kinds in new areas while those in the old industrial regions are allowed to go derelict is a vast economic waste. A process of infiltration, as we have seen, is steadily going on, but it is doubtful whether it should be more strongly stimulated until the opposite alternative of bringing industry to the people has been exhausted. The present Government favour a policy of attracting new industry to the Special Areas, and the budget speech contained the announcement that assistance would be given to a company to be called the Special Areas Reconstruction Association, which would provide finance for small businesses; but actual progress is slow, as it must be under a system of government by persuasion. The guarantees given to loans for the development of London transport and the main line railways * bore the

* See *THE ROUND TABLE*, No. 100, September 1935, p. 798, and No. 102, March 1936, p. 368.

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condition that the materials should be made as far as possible in the Special Areas, whose needs, we are told, are also to receive particular attention in the Government's rearmament programme. Though this is all to the good, the total effect of these measures is likely to fall far short of the magnitude of the problem.

III. THE ACCELERATION OF INDUSTRY

NOW let us glance at the other side of the medal. As our old exporting industries have contracted, another group, consisting mainly of lighter industries and services, and having their seat for the most part in the South, has been expanding. This group comprises building, construction and repair of motor vehicles, cycles and aircraft, electrical trades, miscellaneous metal industries, distributive trades, printing, publishing and bookbinding, public works contracting, road transport, silk and artificial silk and miscellaneous services. In 1923 they accounted for 32 per cent. of the insured population and gave work to just over three million people. By 1932 they were employing nearly four-and-a-half million people, covering some 43 per cent. of the insured population in work.

This enormous expansion has been based first and foremost on the increasing requirements of the home market. The imposition of tariffs in 1931 and the ending of the over-valuation of the pound sterling served to accelerate a process that had already begun. There is no doubt that the accompanying demand for capital goods for the building and equipment of factories, the making of roads and a thousand and one other requirements has provided much badly needed work for the heavy industries of the North, without which their present position would be far worse than it actually is.

How far this internal expansion will continue is a matter that is exercising many heads. There is little evidence on which to base an intelligent forecast. But

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one thing is certain: the shifting of our industrial centre of gravity from the export to the home market will undoubtedly have very far-reaching economic repercussions. For instance, the need for an exporting industry to be near both to the ports and to sources of heavy raw material—which was the cause of the rapid development in the last century of the present Special Areas—now gives way to the importance of proximity, or at any rate speedy and cheap access, to rich consuming areas like London. Again, the downward pressure upon wages in exporting industries is inevitably intensified by the fact that the exporter is bound to regard them first and last as costs of production; for their relation to the purchasing power of his markets will always be indirect, obscure, and uncertain. But to the manufacturer who has to sell his products at home the maintenance of the standard of living of his own and other people's employees on as high a level as possible is a matter of direct commercial importance. The doctrine of high wages may serve to intensify the boom-slump sequence just as perniciously as the opposite nostrum, but high national earnings achieved through low unemployment carry no such threat of inflation; and to the degree in which industry as a whole finds its market among its own workers, low unemployment becomes one of the first objectives of business men as well as of governments.

This brings us back to the millions who suffer from insecurity of employment. It is worth while examining the position more closely. In the first place, there is no escaping the fact that in every industrial country there have always been, and presumably always will be, innumerable jobs to be done that are necessarily of an intermittent nature or of uncertain duration. Building, docks, the distributive trades, road transport, many food industries, the hotel trade and innumerable commercial and industrial activities are dependent on seasonal and other factors and are unable to guarantee continuity of work to all their employees. The great railway companies and even the

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State itself take on extra hands at times of pressure. The effect of the seasonal factor on employment is well brought out by the fact that the unemployment figures normally show a fall of a quarter of a million between January and July in any year.

There is little doubt, too, that there is a tendency on the part of employers of labour in many trades towards cutting down their permanent staffs to a nucleus of key men and taking on additional hands as and when required. The practice obviously has its drawbacks, from the point of view of employers as well as that of the men, but a high labour turnover seems to be a permanent feature of mechanised industries such as, for example, automobile manufacture. Moreover, the depression forced managers to consider their costs very carefully and to overhaul their organisation and improve their machine technique. It is difficult to produce figures, but undoubtedly one of the legacies of recent hard times is a considerable increase in the technical and administrative efficiency of plants and factories, and side by side with this has gone a corresponding increase in the casualisation of labour. This tendency has been reinforced, too, by the shortage of really skilled men in many industries. Apprenticeship to skilled trades has been falling off since the war and more particularly during the depression, and many formerly expert workers have lost their skill through protracted unemployment.

A good example of the way in which all these tendencies operate together is furnished by the steel industry. In the year 1935 British exports of iron, steel and manufactures thereof were a little less than half their total in 1913—only 2,372 against 4,969 thousand tons. Here is the picture of a great exporting industry hard hit by the prevailing tendency towards national self-sufficiency. Yet in the same year our total production of steel ingots and castings was greater than it had ever been—9,842 thousand tons against 7,660 thousand in 1913. Here we see the effect of the demand for capital goods resulting from the

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expansion of the home market. But when we turn to the unemployment figures we find that no less than 21·8 per cent. of the workers attached to the industry were shown as unemployed. Unfortunately we have no corresponding figure for 1913, but it would certainly have been considerably lower; the average percentage of unemployment recorded in that year by the trade unions in the engineering, shipbuilding, and metal trades was only 2·2 per cent. A high proportion of the steel workers who found themselves unemployed in 1935 were undoubtedly older men who had lost their skill through being out of work for a long period; for we know that some sections of the industry experienced the greatest difficulty in obtaining the services of sufficient skilled labour.

On the other hand, as we have seen, the total number of people in work shows no sign of diminishing. We have even succeeded in absorbing in employment the whole of the increase in national population since the war and a considerable number of men from the Special Areas as well. In some industrial regions in the Midlands and the South there is now no "crisis unemployment", in the sense that any man of normal skill and fitness can without difficulty find a job suited to his capacities. One cannot escape the conclusion that where improvements in machinery turn one man out of a job they make work for another elsewhere, though with a certain necessary time lag, provided the general monetary and economic system continues to function more or less smoothly.

What is really happening is that the whole tempo of life is being accelerated. We have to make up our minds to the fact that the old ideal of "a place for everybody and everybody in his place", of regular jobs for all, year in and year out, is no longer realisable. It is a legacy inherited from a more leisurely age of small-scale agriculture and handicrafts; even so it is doubtful if it was ever much more than a pious aspiration. Whatever may have been true in the past, we have to-day to accept the fact

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that a considerable turnover of jobs, even among skilled and semi-skilled workers, and something like a pool of labour containing the greater part of the unskilled, appear to be inseparable adjuncts of our highly mechanised and rapidly changing industrial civilisation. The change is not necessarily an unfortunate one, provided it is recognised and understood and appropriate social and economic adjustments made to meet it.

Side by side with this tendency towards casualisation and a high labour turnover there has gone another trend towards shorter hours of work. Indeed, there is much to be said for the view that both are manifestations of the same tendency, caused by the advance of the machine. The first of these manifestations takes the form of unemployment or, at best, insecurity of employment, and is regarded, with every justification, as a curse. The second is generally recognised as a blessing. It has already gone some way towards revolutionising our whole way of living, and it is this more than any other factor that we have to thank for the rise of the lighter industries in the South, which has done so much to counteract the contraction of the old exporting industries.

It certainly must not be assumed that a frontal attack on unemployment by a general reduction of hours of work is either capable of success or in itself desirable at this stage. It is extremely unlikely, too, that if the choice were put to them to-day, the mass of workers would set shorter hours before higher real wages as the immediate objective of economic progress. Nor is this surprising when one considers that many quite elementary wants of food, clothing, and house-room still go unsatisfied among sections of the population who do not suffer from excessive working hours. Admittedly the problem will not be solved in a day. Its solution is bound up with a dozen factors, not the least difficult of which is the question of education in the broadest sense of the term. But it is, perhaps, not too much to hope that the means may

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ultimately be found of turning to good account also the longer periods of enforced leisure that modern conditions tend to impose on the worker between one job and the next.

IV. CONCLUSION

IN any attack on unemployment it is fundamentally necessary to realise that economically Great Britain is a changed country. The period from the war to 1928-29 may be regarded as a time of transition, of gestation, and the experiences of the depression as the birth-pangs of the new economy. To-day our industry is far more diversified, far more dependent on the home market and less on sales abroad. At the same time, the possibilities of foreign lending have been greatly curtailed, both by the comparative shortage of new capital seeking long-term investment and by the scarcity of credit-worthy borrowers. The pound sterling is off the gold standard, and, though it may be brought back into an international system before many years are out, this return will certainly be conditional on the new system's being far more "managed" than the former gold standard, and allowing a far greater flexibility of internal monetary policy. Here also the post-war decade, which may be summed up as the period of the gold exchange standard, was an interval of transition. The problems of to-morrow will be very different from those of the day before yesterday.

Again, the population of Great Britain, which was still increasing at a substantial rate before the war, is now about to reach the turning point. The statisticians tell us that deaths will shortly equal births, then outnumber them, and the total population commence to decline. This demographic phenomenon is going to have a profound effect on the economic life of the nation, the inner determinant of which is clearly the nature of economic demand. The market for staple necessities, and especially for house-room, cannot be expected to go on increasing indefinitely

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with a falling population figure. Thanks to mechanisation, the fall in the total number of workers need not be accompanied by a corresponding drop in the aggregate national income. On the contrary, we may not unreasonably look forward to a progressive increase in the average standard of living. The improvement in the average income will reinforce the tendency towards diversification of demand and consequently of industry, and towards the growth of transport and other services, all based first and foremost on the home market.

Partly as a result of the slowing up of the growth of the population of these islands, partly for more distant reasons, there has been a further change in the British economy, having an even more obvious connection with the unemployment problem—the falling-off of emigration. In the past five years the inflow of permanent migrants has actually exceeded the outflow. While this may be regarded as a transitory symptom of the general depression, it would clearly be unwise to count on a revival of emigration on anything like the scale of 120,000 a year net—the average of the first post-war decade. Whether it would be the part of wisdom to stimulate the flow of migration to the overseas parts of the Empire is a profoundly complicated question, which must be approached from the angle of how best to stimulate and strengthen the economic and social life of the Empire as a whole, having regard to the changing structure of the British economy and population and to comparable factors affecting the Dominions. The policy that we adopt in common for this broad purpose may or may not involve a large-scale transference of population. In coming to a decision we must not, of course, lose sight of the political and strategic implications of any policy affecting industry, sea-borne trade and emigration; nor of the social—and also, to some extent, the strategic—importance of maintaining a balanced economy in each of the countries of the Commonwealth. Measures taken for the defence of British agriculture assume a far greater

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importance in this connection than when considered as factors directly affecting unemployment. Indeed, neither the expansion of agriculture at home, nor emigration for agricultural settlement to the Dominions, can ever be regarded as of more than purely marginal significance as a direct contribution to solving the unemployment problem.

Seen in this light, that problem appears first and foremost as an element in the strength and stability of the whole community of British nations. We live in dangerous times, and great strains may be imposed on the nations of the Commonwealth. We shall be gravely handicapped if, when the strain comes, we have still in our midst, both here and in the Dominions—where unemployment has been on the whole no less severe than at home—a dead-weight of demoralisation and disheartenment, the product of long-term unemployment. We shall find ourselves equally at a disadvantage if our economic and social structure has not been organised to cope with the greater individual insecurity inseparable from mechanisation. There is no single or straightforward solution to this infinitely complex problem—we must indeed break it up into little pieces. But having done so, and having chosen our remedies in the light of that dissection, we must next reassemble the pieces to make a new and better picture of our whole national and imperial life.

INDIA : A NEW ERA OPENS

I. HAIL AND FAREWELL

APRIL 1936, when India bade farewell to Lord Willingdon and welcome to Lord Linlithgow, possibly marked the end of a lull in her affairs. It may sound odd to describe in those terms a period that saw such incidents as the latter Round Table Conferences, the White Paper, the Joint Parliamentary Committee and the Ottawa debates, but all these, even the last, were essentially matters of outside origin. So far as the internal history of India is concerned, "lull" is not inexact. Lord Willingdon's arrival coincided with the dying-down of a serious movement directed against constituted government, and his lustrum has seen comparative calm established and maintained while the country, as it were, took breath. There are indications that the next five years will be marked by much more internal activity. The setting-up of the new provincial governments is in itself bound to quicken the political tempo.

Looking back over Lord Willingdon's five years, one might perhaps describe as their chief feature the insistent emergence of India's position in the Empire as a cardinal question of statesmanship, as yet undetermined. To persons engaged in the ordinary battle of life these questions of status may seem unreal or exaggerated, but when a national consciousness is developing they bulk very large, and a failure to appreciate their extent and importance is a profound error of ultimate as well as immediate policy. It is their subjective aspect that gives them their importance as an Empire problem. Pragmatists, growing impatient at the declamation and heat aroused by the experiences of a few obscure individuals, fail to see that it is not the

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individuals themselves, but the passions their position rouses in the sharpened sensitiveness of their political fellow-countrymen, that make the world problem. The position is well summed up by a writer in the *Madras Mail*, who describes the problem of national status and treatment as a "canker which affects every issue, however remote and apparently self-contained it may seem, in which Indian participation enters; it touches nothing it does not deform".

II. TWO NEW PROVINCES

THE first definite indication of the emergence of the new India was the coming into existence on April 1 of the new provinces of Sind and Orissa on the western and eastern corners of the long seaboard. Both are maritime provinces, but whereas Orissa has nothing worthy of being called even a minor port its twin province possesses in Karachi one of the chief ports of the whole sub-continent and easily its most important air haven, both from a strategic and from a commercial point of view. They differ in many other ways too. Sind, although predominantly Moslem, has a strong, wealthy and active Hindu minority; its population, while distinguishable enough, is not predominantly of a single ethnic type. Orissa, on the other hand, is the most homogeneous racial unit in India. Well over 90 per cent. of its population are Hindus and a similar percentage is of the distinctive Oriya type. Orissa at least should know no communal problem.

In some ways Orissa offers the best example of a type of problem that is growing in importance in India, namely, the effects of denudation; for there is little doubt that the recurrent and disastrous floods that afflict the country—and incidentally affect seriously its general health—have their prime cause in the stripping of the slopes that bound it on the west and through which its rivers make their way.

Sind's problem is different and is primarily one of administration. Will it run the huge barrage scheme effi-

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ently? Will a province where landowners are so strong resist the temptation to pare land revenue rates and so reduce or remove the yield the barrage ought to give? The Government of India has a strong interest in this, as the new Act shows, and will watch the infant province with some anxiety.

III. PANDIT NEHRU'S CHALLENGE

ON April 12 Pandit Jawaharlal Nehru delivered his presidential speech to the open session of the Lucknow Congress. The speech was worthy of the occasion and was perhaps the most sincere utterance that has fallen from the successive presidents of the Congress for a considerable number of years. It is singularly and refreshingly free from claptrap of any kind, and there springs to the lips almost unconsciously the old tag *O si sic omnes*. One doubts whether the presidency of the Congress is congenial to the Pandit; it is easy enough to trace a certain resentment at the difficulties, if not the falseness, of his own position, that of a single-minded, passionate, idealist doctrinaire who finds himself at the head of a great body of average men, not to mention a wide variety of doubters, trimmers, and self-seekers, to whose political pace he has to accommodate his own. The Pandit has at times a lapidary gift of phrase. Thus he distinguishes nationalism in the East from the "new and terribly narrow nationalism of fascist countries; the former is the historical urge to freedom, the latter the last refuge of reaction". There is some truth in the distinction, though it seems too simple a view to describe Mussolini's Italy as the last refuge of reaction. The changes in Italy and Germany seem to bear much more the stamp of a future development to which all the world is tending—mass man. It may be that in these countries, as in Russia, we have seen a step towards the anthill of the future, in which the mass of individual units will be scarcely more than automata,

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directed by a few intelligences or impulses of which they are hardly even aware.

The real text of the Pandit's discourse is "independence first"; how to join together in a struggle for independence all the anti-imperialist forces in the country. For that end, he is prepared to accept Congress for some time to come, with all its diversities of composing units, its temporisings and hesitations, so painful to his impetuous spirit. He accepts it because with all its shortcomings it is the only continuing expression of the urge to independence, and if it weakens the result may be mere provincial and communal jealousies and the diversion of the national aim.

His heart is in socialism, of which he made a public and categorical confession in his speech. He is convinced that the only key to the solution of the world's and India's problems lies in socialism, a term that he uses "not in a vague humanitarian way but in the scientific, economic sense". He does not, however, define this scientific, economic sense, and when he describes socialism as a philosophy of life one suspects that its appeal in this guise is for him not secondary but primary. To one who, like the Pandit, has to some extent the vision of a poet, it is socialism as a philosophy that will appeal. If the world is full of hope, he says it is largely because of the example of Soviet Russia. He sees no way of ending the poverty, unemployment, degradation, and subjection of the Indian people except through socialism, which he admits must involve "vast and revolutionary changes" and incidentally "the ending of private property". One wonders how some of his hearers relished those phrases. He believes in the rapid industrialisation of the country and not, one imagines, at all in the *khadi* * movement, which he looks upon as a "temporary expedient of a transition stage".

The Pandit's mind is logical, too logical for a man in the position in which he has been placed, but he has one clear view that one wishes he could impart to others,

* homespun.

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and not only to Indians : “ the only right way of looking at our own problems is to see them in their proper place in a world setting ”. It is one of the defects of nationalism, even the Indian nationalism which the Pandit differentiated from that of the West, that it seems to inhibit precisely such a synoptic view.

The Pandit condemned the Government of India Act as a “ new charter of slavery ”, and in one of his purple patches declared : “ if they had offered the crown of heaven with this accompaniment and with this dishonour, would we not have spurned it ” ? A charter of slavery, he said, is no law for the slave—a pungent phrase that might be taken as a pointer to the Pandit’s thought and purpose. He will not regard the Act as binding ; it is to be evaded or defeated in every way. He recognises, however, that “ we have no choice but to contest elections to the provincial legislatures ”, though he tries rather ineffectively to qualify this by saying “ in the event of their taking place ”. Election should be sought on the basis of a detailed political and economic programme “ with a demand for a Constituent Assembly in the forefront ”. This is an interesting revival of a project that had been practically dropped overboard by the Congress leaders. “ Independence,” he says, “ cannot be given ”. Therefore logically the Constituent Assembly “ will not come through the new Act or in the legislatures ” ; what he has in view is that a period of great change or stress may shake India to such an extent that an Assembly can be brought together, frame a constitution and present a demand to the British Government. He realises that such an Assembly requires previous preparation and organisation.

The Pandit’s intransigent attitude reappears again and again in such phrases as

the only right and safe way is to stand four-square on our own programme and to compromise with no one who has opposed the national struggle for freedom in the past, or who is in any way giving support to British imperialism.

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The latter, he says, is in no way different from the Italian imperialism that is bombing and killing harmless Ethiopians or from Japanese or other imperialisms. Behind them all, he says, returning to his favourite socialistic theme, is "a decaying economic order".

The Pandit accepts the councils but rejects with detestation any question of accepting office. "To accept office and ministry under the conditions of the Act is to negative our rejection of it." This as a statement in logic is correct. As a statement of political advisability or practice it is very different, and one seems to see in the Pandit the characteristic inability of the doctrinaire to understand the working of the empirical mind.

It is always dangerous to assume responsibility without power; it will be far worse with this constitution, hedged in with safeguards and reserved powers and mortgaged funds.

Office, he says, will not add to the Congress's real strength but will only weaken it by making it responsible for many things it dislikes. All this is true, assuming, as the Pandit does, that the Congress remains unchanged. The indications are that this assumption will be falsified.

Imperialism (the Pandit says) sometimes talks of co-operation but the kind of co-operation it wants is usually known as surrender, and the Ministers who accept office will have to do so at the price of surrender of much that they might have stood for in public.

To his sincere and by now definitely ascetic spirit the prospect of a scurry for spoils and patronage is repellent, and he comments with some pungency on the argument that Congress's chances at the elections would increase if they declared themselves prepared to accept office. He condemns outright the suggestion, which has found favour in several quarters, notably in South India, that the question of accepting office should be left to provincial decision. This "astonishing and fatal suggestion", he says, "plays into the hands of our imperialist rulers".

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First issues will sink into the background, independence itself will fade away and the narrowest provincialism raise its ugly head. Our policy must be uniform for the whole of India and it must place first things first, and independence is the first thing of all.

He is convinced that the acceptance of office or even to hesitate and waver about it would be a fatal error. "It will be a pit from which it would be difficult to come out."

The Congress organisation he regarded as antiquated and too authoritarian. There must be a definite move to "develop democracy in the lowest rungs of the Congress ladder and make the primary committee a living organisation of criticism and discussion instead of a mere voting machine". Russia is never far from the Pandit's thought, and if India is his first love Russia is his second. More than once he returns to the necessity for increasing the interest and day-to-day activity of the lower committees in the Congress hierarchy, and he specifically advocates the formation of peasants' unions as well as workers' unions—a recommendation that must have shocked many of his hearers. He found that the Congress, having lost touch with the masses, was "deprived of the life energy" that contact with them gives. A middle-class leadership is often distracted leadership, looking in two directions at the same time. "The Congress must be not only for the masses, as it claims to be, but of the masses."

Another forthright opinion that must have given many a jolt was that the communal question is "after all a side issue". He cannot see the Decision being shaken by the methods adopted by its aggressive opponents, which in his view merely perpetuate it. The real solution will only come when "economic issues, affecting all religious groups and cutting across communal boundaries, arise".

The Pandit indulged in a vivid gibe at the hot-air merchants when he referred to the talk "of a militant programme and militant action." "I do not know what exactly is meant. . . . If direct action on a national scale or civil

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disobedience is meant, then I see no near prospect of them". "Let us not indulge in tall talk before we are ready for big action". Satire was hardly even veiled when he referred to certain talk of a joint front, which so far as he could gather referred to some alliance among the upper classes, "probably at the expense of the masses".

The main *motif* of the Pandit's speech might be paraphrased thus. Wars either have begun or are coming from which Great Britain will find it difficult, if not impossible, to escape. Once she is involved deeply, India will have her opportunity. A modern war must embrace all the Western nations and cannot be fought in detachment, but in order to seize her opportunity India must be ready and gird up her loins now.

The time may come, and that sooner perhaps than we expect, when we might be put to the test. Let us get ready for that test. Every war waged by imperialist Powers will be an imperialist war whatever the excuses put forward; therefore we must keep out of it.

The rôle cast by the Pandit for India in a contest in which Great Britain is involved is that of the *tertius gaudens*.

The impression left by the Pandit's speech on the *Statesman* is that "this is not an Indian speaking. In no sense whatever are these the words of an Indian". Here the antinomy is being pushed too far. The Pandit is indeed a product of English education, showing in his use of the English language and in many other aspects the impression it has made on him, but the *Statesman's* phrase is an excessive simplification. Doctrinaires are much the same the whole world over, and one set of tram rails is very like another, although the trams may be of different pattern; but it is precisely the touch of the universal and of detachment in the Pandit's intellectual make-up that constitutes his main attraction, and at the same time explains the hesitation with which the average Congress politician is apt to regard him. It is the distrust shown

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all the world over by "*l'homme moyen sensuel*" for the sincere, passionate, self-denying enthusiast. In surveying the Pandit's character and position one cannot but admire and pity him; admire his qualities intellectual and spiritual, and pity him for the rôle in which he has been cast—to apply methods he dislikes, with associates who misunderstand, for purposes not fully shared. The gulf that separates him from many of his associates has already shown itself in the hostile comments of much of the Congress and nationalist press. His disillusionment will not be long in coming—it may already have begun.

IV. THE ASSEMBLY, THE BUDGET, AND OTTAWA

ANOTHER budget season has disclosed only two provincial surpluses, in Bombay and Madras. The former is a very small affair. Bombay's return to a plus balance reflects the separation of Sind as a province. Bihar, however, is too far in deficit for the scission of Orissa to have a similar effect. Madras, as always, keeps its head further above water. This reflects an old tradition of carefulness, not to say parsimony, in administration, a more frugal peasantry and a smaller proportion of permanently limited land revenue.

The central budget was one bright spot, but members of the Assembly found many a stain upon it. Particular criticism was devoted to the Finance Member's insistence on meeting Quetta repair expenditure from revenue instead of capital. It was odd that this solicitude for the future revenues of India, in view of the impending arrival of provincial autonomy, the separation of Burma, and so on, should have come in for such attack, and in perusing the Assembly speeches one has at times an impression of unreality, of a theoretical argument as distinct from concern with a grave and urgent practical problem. This is one of the curious features of political life in India that show how youthful the legislative bodies really are. The

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hardy annuals, such as the reduction of the salt tax, came up again, and an old friend reappeared in the proposal for a half-anna postcard. For this there is a good deal to say, but the revenue aspect was paramount.

It is unfortunate that a budget which is generally admitted to have been skilfully drawn up and ably presented should have had to find its way into law by certification. It is unlikely that any Finance Bill hereafter will pass except by this intervention. If the intention is that the Assembly should develop at least an interest and a feeling for the budget, then it is desirable that it should be passed as their measure. For the whole expenditure plan to go through on a single individual's fiat, even though he be the Governor General, means an unfortunate accentuation of the divorce of criticism from responsibility, which in one way or another has infected the political experiment in India for the last 16 years.

The chief incident of the Assembly session was the debate on the Ottawa agreements and the vote in favour of terminating them. There was a good deal of criticism of these agreements at the time they were made, not only in India; on grounds both of content and of method suspicions were freely expressed that some at least of the agreements or portions of them were the result of what were in effect threats. No agreement outside Utopia ever gave complete satisfaction, and every agreement is a compromise in which each party accepts some less advantageous points for the sake of those to which it attaches importance or from which it looks to benefit. The Indo-British Ottawa agreements are no exception, and in the United Kingdom as well as in India the need for revision has been freely mooted.

It must be said, however, that in the Indian debates one strong and compelling ground for opposition was the famous one attributed to the Puritans; not so much because the thing was bad in itself as because it was suspected to give pleasure to the other party. It is a saddening reflection,

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but these psychological difficulties are the big realities of Indian politics to-day. It is possible, however, to treat the position too seriously, though the sooner India gets down to the hard facts of the economic position the better. One element in the suspicion that found expression in the Assembly's voting was the belief that the original Indian delegation to Ottawa was not representative. It is quite possible that Indian representatives elected by the Assemblies or by different Chambers of Commerce might have found themselves persuaded at Ottawa to accept agreements much the same as those so bitterly opposed and now condemned, but there would have been this difference, that the agreements would have been much less readily disowned.

V. MOSLEM MOVES

MUCH interest was aroused by the Aga Khan's visit to Delhi in February and the meetings he held with prominent Moslem leaders. One object was admittedly to seek some *modus vivendi* with other communities, in view of the approach of the new constitution. The Aga Khan's endeavours to further the formation of parties that will pursue objects of genuine interest to the country as a whole and not be tied strictly to communal leading strings has received as good a welcome as could be expected in the suspicious atmosphere of to-day : in fact rather better. It is to the credit of the Moslem leaders that they see the advisability of at least trying to get away from communal lines of cleavage in general politics.

The Hindu press showed its intransigence and suspicion towards these moves. The Punjab *Tribune* twitted the Aga Khan with his refusal, along with his fellow Moslems, to consider the question of central autonomy until Moslem interests were safeguarded. It added that as long as the attitude taken by the Moslems remains unchanged the divorce of religion from politics is pure bunkum. The *Tribune* went on to demand that the Moslems must definitely

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and unequivocally abjure their faith in separate electorates and in communal representation in the services. This intransigence is characteristic, but the press in this country is always more intransigent than the leaders; there are distinct indications that the better elements of the Hindu community are as much tired of the communal conflict as the Moslems, and would be prepared to make concessions if joint electorates could be introduced. Among the proposals to this end is one for a differential franchise, a lower level for the Moslems bringing up their voting numbers.

A good deal of this is, however, as yet only talking in the air. The Moslems' main contention is that they should be guaranteed the faculty of electing Moslems they want, whereas if they were thrown into joint electorates the chances are that they would get the Moslems the Hindus want, and so long as this suspicion continues their attitude will not weaken. The younger ranks of Moslems are, however, rather less rigid on this count than their seniors, and time, along with the practical experience of working provincial autonomy, will almost certainly modify the present rigidities. Life is a bigger thing than communal *zids*, and even a generation will probably see changes towards the accommodation and development of party politics, on lines regardless of communal differences, that would shock the communal champions of to-day.

India,

April 1936.

IRISH POLICIES AND PROBLEMS

I. THE NEW TRADE PACT

THE protracted negotiations* between officials representing the United Kingdom and Free State Governments bore fruit on February 8, when it was announced that a fresh coal-cattle pact had been entered into for the coming year. It will be remembered that last year's pact† was on a pound for pound basis, whereby in return for a monopoly of the coal market in the Free State the British Government agreed to allow the importation of a certain number of our cattle. The fixed duties on both sides were, however, retained. The new agreement modifies this anomaly. On the British side the fixed duties on all classes of Free State cattle are reduced by proportions varying from 20 to 35 per cent., and those on horses, sheep, and lambs are halved. It is believed, however, that they will still produce at least £4,000,000, the amount of the retained annuities. The new arrangement also provides for an increase in the quotas of Free State fat cattle and bacon exported to England. On the other hand, the value of these concessions to our farmers is considerably reduced by the simultaneous withdrawal of the export bounties paid to them by the Free State Government. On cattle there was a flat rate bounty of £1 per head, and on horses a bounty of 40 per cent. *ad valorem*. The Free State Government on its side has reduced by half the emergency duties on British cement, iron and steel goods, electrical apparatus, and certain classes of sugar, which were imposed as a retaliatory measure, and in addition to granting the coal monopoly has agreed to

* See THE ROUND TABLE, No. 102, March 1936, pp. 356 *et seq.*

† See THE ROUND TABLE, No. 98, March 1935, p. 369.

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take one-third of our cement imports from Great Britain. By the withdrawal of the bounties on cattle and horses the Free State Exchequer will save approximately £400,000, which will practically solve the problem presented to the Minister for Finance by the recent removal of the tax on British coal, which produced about £500,000 a year.

On the Irish side the real gain is that we slightly improve our present inferior position in the only market for our agricultural produce that is of any importance, and cattle prices have accordingly increased. Last year's pact undoubtedly arrested a further drop in our cattle exports, and the new arrangement, coupled with the increasing prosperity of Great Britain, is bound to have a good effect on our agricultural export trade. On the whole it may be said that the permanent officials, on both sides of the Irish Sea, have again stepped in where the politicians feared to tread and, as far as they have been allowed, have once more brought us face to face with realities. They have applied the solvent of common sense to a situation which is still seriously harmful to both countries, and which, if it continues indefinitely, will certainly lower the whole standard of our rural life and vitally react on our industry and commerce. There is considerable truth in the comment of Mr. Cosgrave that the retained land annuities are now being sent over to Great Britain on the horns of our cattle, and that the new arrangement may well be called a plan "to make further and better provision for the payment of the annuities and to remove doubts as to the willingness of our Government to facilitate the British in their collection". We have in fact had to modify our tariffs and concede a valuable and substantial monopoly in order to retain for our agricultural produce a partial entry into the British market which, during Mr. Cosgrave's administration, we enjoyed without any restriction whatever, and without any reciprocal concession.

On February 26 the Government introduced a Bill in the Dail to validate the reduction of the emergency duties.

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Mr. MacIntee, the Minister for Finance, introducing the measure, claimed that whilst in each case the respective Exchequers would lose by the reduction of the import duties, it was obvious that the producers in both countries would gain, and gain considerably, by reason of the extended market that was offered to them. The Free State Government, on their side, felt that the new agreement, in conjunction with other measures that the Government had taken, or had in view, would solve the problem of our surplus cattle, and would relieve considerably the position in regard to other agricultural products. It would lead to a significant increase in the volume of trade between the two countries. He estimated that it would cost the British Exchequer about £800,000 and ours about £200,000. It was an expression, he added, of the mutual desire for goodwill and friendly relations in matters of trade, and in that aspect he was sure it would be welcomed.

Mr. Cosgrave, on behalf of the Opposition, moved that the Bill be rejected until the Government gave an assurance that they would take immediate steps to negotiate a comprehensive settlement of the matters at issue with Great Britain. The question, he said, was not whether this pact should be accepted, but rather whether a much better pact should not be negotiated. He claimed that the pact was an admission on the part of the Government that they could not do without British trade. The slaughter of 660,000 calves had cost the country £200,000. A favourable settlement of the dispute with Great Britain was not only possible but almost mandatory on both parties. Professor J. M. O'Sullivan, T.D., speaking during the debate, said that the pact was a clear indication how essential the British market was to the prosperity of the Free State. Increased tillage, if it was to succeed, meant the rotation of crops and therefore an increase in the number of cattle. The Government, he claimed, were a Government of half measures at all times; they were half in the Commonwealth and half out of it. They were half republicans and half

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Free-Staters. But this pact was not even a half measure; it only revealed the strategic weakness of the Government's position.

Mr. Frank MacDermot, T.D., speaking as an Independent member representing a rural constituency, referred to the sufferings of the countryside and said that the bounties should have been retained even if it necessitated the maintenance of the coal tax. He thought the Opposition had allowed their emotions to cloud their reason. The Government's fallacies of a few years ago about the British market were completely exposed and exploded. The Bill really represented a triumph for the Opposition arguments and philosophy, and it was blindness on their part to oppose it. He would, he said, be deeply disappointed if the Government failed to make a strenuous effort before the end of the year to settle all disputes with Great Britain, or at least to settle the financial dispute. Our position as a mother country involved not only rights, as Mr. de Valera had recently claimed, but also obligations and opportunities, which we gave little evidence of appreciating when we advocated separation or sought to weaken the principle of allegiance to the King, whereby the whole fabric of the Commonwealth was held together. Dr. Ryan, the Minister for Agriculture, claimed that by exports and otherwise the Government had disposed of 780,000 cattle in 1935, a figure well above the yearly average during the ten years when exports were unrestricted, but Mr. Dillon, T.D., later pointed out that whereas the cattle exported in 1931 realised an average price of £16 11s. per beast, in 1935 the average price was only £8.

Closing the debate, Mr. de Valera made one of those long, rambling and querulous speeches, largely concerned with past history, with which we are now too familiar. He complained of the so-called "secret agreement" made by the Cosgrave Government in 1923, of treaties signed under threat of force, and of the burden imposed by the payment of the land annuities to Great Britain—which, he

ELECTION PRELUDES

stated, having regard to the taxable capacity of the two countries, would correspond to a payment of £330,000,000 by Great Britain. The British had tried to mix up the political and financial disputes. Even the Privy Council, he said, had admitted that the Free State Government were entitled to abolish the oath of allegiance and make other alterations in the constitution. He held there was a very big difference between the existing position, in which the British were forced to take this money from them against their will by imposing discriminatory tariffs upon their products, and the position they would be in if they handed over the money voluntarily, as if it was due. While he admitted that the pact represented, to some extent, a lowering of the flag, he believed that right would yet triumph. He refused, however, to give a clear answer to Mr. MacDermot's question, whether he would be prepared to submit the annuity dispute to the Hague Court. They should, he claimed, be free to choose, as people do in arbitration, their own representatives, from whatever source they liked. The Bill, of course, was duly passed, but it does not bring us much nearer to the real solution of our difficulties, which cannot be found in a policy of settlement by inches.

II. ELECTION PRELUDES

THE various political parties are preparing for the general election that must take place before the end of the next year. None of them is really well organised, and most of them have empty war-chests. Mr. Lemass, the Minister for Industry and Commerce, speaking at Cavan on February 16, claimed that victory for the Government was so inevitable that nothing but slackness in their organisation could lead to defeat. He declared that the progress they had made in the sphere of national policy had been such that they were now in sight of the final goal, and their plan had been so designed that every step forward was irrevocable. He said that no one in

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the country would seriously propose the restoration of the oath of allegiance or the appeal to the Privy Council. The success that attended their efforts had been such as to give them every confidence in their ability to complete their programme. One of their difficulties, he said, was the weakening of the Opposition, which was to-day virtually non-existent and without any prospect of revival. But in spite of this drawback the Fianna Fail party was now stronger than ever it had been, a development he attributed to the fact that the party's primary purpose was national and not political. The existence of the United Ireland party was the accidental result of political circumstances, and there would never again appear an Opposition equal to that party's previous strength unless it had a programme that appealed to the Irish people as strongly as the national programme of the Fianna Fail party. That was not likely, because until Irish independence and Irish unity had been accomplished the achievement of these aims would be the main goal of the Irish people.

Mr. Lemass omitted to state that by reducing and rearranging the constituencies, by abolishing university representation, and by opportunist legislation, the Government had done its best to make its position secure and its return to power certain. He is quite accurate in stating that the Opposition has lost ground, although not so much as he affects to believe. The monumental error of making General O'Duffy its leader, his subsequent actions, and his removal from leadership, and the more recent defection of Mr. Frank MacDermot, have seriously shaken public belief in the political judgment of its leaders. The reelection of Mr. Cosgrave as leader has of course had a steadying effect, but at the moment the United Ireland party is in no condition to face a general election with any prospect of success. This is due to lack of both organisation and policy. Political opportunists throughout the country have naturally transferred their allegiance to Mr. de Valera, but while they render lip service to his

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republican aims they sincerely hope he has no intention of putting them into practice. These defections, coupled with lack of money and enthusiasm, have had a prejudicial effect on the organisation of Mr. Cosgrave's party. Its policy, which is in many respects a modified edition of Mr. de Valera's, is neither precise nor courageous, and unfortunately pays more regard to vote-catching than to constructive principles. Its present leaders have never faced the question of loyalty to the Crown with courage or sincerity, and indeed, with the exception of Mr. James Dillon, T.D., they have been extremely lukewarm in their attitude towards the Commonwealth.

Mr. Cosgrave, speaking on March 5 at the annual congress of the United Ireland party, when he was re-elected its leader, said that the attainment of political unity in Ireland overshadowed every other political question, and ought to command the most earnest attention of all parties in the State. Only on the basis of the Commonwealth of Nations could the ultimate unity of the country be restored. He referred to the manner in which similar problems had been tackled and solved in Canada, Australia, and South Africa, and said that events since the signing of the Treaty had completely falsified the lurid pictures then drawn of the Free State's economic, political, and cultural domination by the Government and the people of England. He also alluded to the natural advantage of proximity to the British market and said that our agricultural policy should be directed towards exploiting that advantage to the utmost. The farmers and agricultural labourers were the bulwark of the nation, and upon their prosperity depended the prosperity of the country. The strategic importance to Great Britain of having a large food supply available for her people in times of war could be used as a bargaining asset. Peace at home and peace abroad were the first essential remedy for unemployment.

Although Mr. Cosgrave rightly emphasised the importance of national unity, it cannot be claimed that

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when in power his Government advanced the possibility of reunion with the North, by its centrifugal policy as regards the Crown and Commonwealth. On the contrary, it raised fresh barriers against reunion, and the present attitude of many of its leaders is still far from helpful.

A very pertinent criticism of the existing situation was made in a letter from a Catholic in the South of Ireland, which Senator Douglas quoted during the recent Senate debate on the abolition of university representation. Pointing out that neither of our two leading political parties welcomed men who think for themselves, the writer added that the principal difference between these two parties was transitory, though it would take some time to pass away. Its cause lay in the animosity arising out of the civil war. But on the question that transcended all others, namely, the type of civilisation that it was desirable for us to work for, they were at one. They had in mind a Gaelic State, which the writer of the letter regarded as a figment of the imagination. One party called itself the Tribe of Gaels and the other the Warriors of Fál, both forgetting that the complex and beautiful thing that was Irish life was compact of the descendants of Gaelic, Norman, Jacobite, Cromwellian, Williamite and post-Williamite invaders, descendants whose character and ideals had been moulded and brought to fruition in this land of Ireland, and who, in turn, had given it their love. It was as if a great political party in England or France were to adopt the title of the Bowmen of Senlac or the Knights of Charlemagne. This insistence on the hegemony of the Gael had no relation to the facts of history. It would have been abhorrent to such Nationalist leaders as Tone, Davis, Mitchell, or Parnell. Both parties, the writer added, professed a desire for a united Ireland, but they imagined a vain thing if they supposed it could now be on the basis of a Gaelic civilisation. If they were sincere in their desire for unity they ought to take pride in the heroism of

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their people on whatever side they fought in their old wars—of the 'Prentice Boys of Derry no less than of the defenders of Limerick. A knowledge of the history of one's country was a valuable thing, but when it imported into the discussion of the too insistent problems of the present day the dissensions of centuries ago it was no less than a menace.

This outspoken commentary on our politicians' false national philosophy expresses clearly a growing opinion among educated people which will, it is to be hoped, find more tangible political expression in the near future. It is interesting to note that whilst Mr. de Valera's paper was moved to reply to this letter in one of its characteristic diatribes, the organ of Mr. Cosgrave's party was courageously silent. It is because this party will not honestly face such important questions that it is losing vitality and strength. It has no future as an echo of Fianna Fail, and can only survive if it recognises the realities of Irish life and admits the truth of Parnell's dictum that "Ireland cannot afford to lose a single son".

The other attitude towards national unity is revealed in a recent speech of Senator Connolly, Minister for Lands, made at Limerick on March 28, in which he said that the first step towards unity of the country was to have unity in the Free State, and the next step was to have all the forces in Northern Ireland that stand for unity brought together and consolidated. The only basis for permanent peace with Great Britain was, he said, the recognition of our rights as a free and independent people who could only deal with other countries on a basis of equality of rights. On the day that the truth of this was realised in Great Britain the beginning of real peace and harmony would have arrived. He claimed that the Government had not yielded on any issue affecting the fundamental question of complete independence. All this sounds very like Herr Hitler's political philosophy painted green, and indeed springs from the same rather truculent attitude and

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the same feeling of inferiority. But it is significant that Senator Connolly and his like are not so cocksure as they used to be. The policy he advocates, as he was candid enough to admit, can only lead to the Government's eventual defeat by the more extreme republican element, for only by them can it be pushed to its logical conclusions.

This element has recently formed a new party called "The Republican Party of Ireland," which states that its immediate task is

to organise and prepare the people to assist in setting up a Government of the Republic, representative of the whole of Ireland, and in extending the jurisdiction of the Republic over the whole nation.

It apparently intends to put forward candidates at the next election, pledged, if elected, not to enter the Dail, but to form a rival parliament. This is only a new edition of the old policy followed by the Sinn Féin party in 1919, when they refused to attend the House of Commons, but it is not likely to succeed under present conditions. Its secretary, Mr. Sean MacBride, who is incidentally one of the I.R.A. leaders, in a letter to the press, challenged Senator Connolly's statement and pointed out that the Government, by accepting the Treaty position and maintaining the institutions it imposed, had yielded on an issue affecting the fundamental question of complete independence. The Labour party, not to be outdone by anyone, claims that its political object is a Workers' Republic, although it is not apparently quite clear what this may mean. Many of its supporters seem to think that these words have an objectionable Russian sound, in spite of an assurance by Mr. W. Norton, T.D., the leader of the party, that it only seeks to create here a system under which "none could have too much until the needs of all were satisfied."

An indication of present popular opinion is given by the attack made by the crowd on communist participators

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in the Easter Saturday republican procession in Dublin. This was probably organised, because the Church has no intention of tolerating such displays. That they are possible at all is a portent not to be overlooked. It is unfortunately only too true that there are certain forces in the country, active and organised, who seek by terrorism and crime to achieve their political ends. Mr. de Valera, broadcasting a message to Australia on St. Patrick's day, referred to the advance of a new paganism in Europe, and claimed that in the future Ireland might have to play as great a part as she had done in the past to maintain Christian civilisation. But his message was interrupted by a mysterious voice which referred to a "display of English militarism", meaning apparently the parade of the Free State army which had taken place that day in Dublin.

A sinister and terrible example of our Christian civilisation was afforded a few days later, on March 24, by the cowardly murder of Vice-Admiral Henry Boyle Somerville at Castletownshend, County Cork. The victim was a distinguished and patriotic Irishman of the most kindly and charitable personal character, a brother of Miss Edith Somerville, the famous novelist, belonging to a family who have always been deservedly popular with every class in the district where they live. This old man, who had never wronged anyone or taken any part in politics, was shot down in the darkness on his own doorstep by some anonymous assassin. The ostensible reason for this cold-blooded crime was disclosed by a printed paper left behind by the murderer alleging that Admiral Somerville had recruited young men for the British forces. Even this statement was untrue, as his widow swore at the inquest that he had never canvassed for recruits for either of the services. He had only given information to boys who had naturally come to him in order to ascertain the procedure for entering the navy. The sole redeeming feature of this terrible occurrence, in some ways the worst crime that has been perpetrated in Ireland during recent years, is

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the universal condemnation it has evoked from every responsible party in the country.

The Catholic Bishop of Ross, Dr. Casey, in whose diocese the murder took place, denounced it in a powerful pastoral letter. He pointed out that the murderer and his confederates must have had local assistance and that such people were equally guilty of the crime. He said it was a sad commentary on our notions of public duty that men were to be found who professed to believe that the public good would be promoted by crime, but it was worse to think that there are men who were persuaded, or persuade themselves, that crime ceased to be crime when clothed with a mantle of pseudo-patriotism. The gospel of the present-day patriot seemed to be hate and his works murder. It was, he pointed out, the duty of every citizen to give all possible assistance to those whose duty it was to bring the miscreants to justice. The Government are naturally taking every step possible towards this end, but there is little hope of their success. The motor car, which undoubtedly was used on this occasion, is a potent instrument in the hands of cowards who only strike when assured of immunity. Moreover, it is difficult to get information from a public who are partially terrorised and even still somewhat sceptical whether information is really wanted or not, and whether, if given, it will lead to conviction before a judge or jury. People cannot forget that no one has yet been convicted, or is likely to be convicted, for the murder of Mr. More O'Ferral, which took place more than a year ago.*

Another terrible political murder took place at Dungarvan on April 26, when a young man called John Egan was shot down at night in the public street by men who at once drove off in a motor car. He had been a member of the I.R.A. On April 30 the Government arrested thirty-one leaders of the I.R.A. in Cork City and County under the special powers given to them by the Constitution

* See THE ROUND TABLE, No. 99, June 1935, p. 552.

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Amendment Act of 1931, under which they are entitled to arrest and detain on suspicion.

These events have certainly added considerably to Mr. de Valera's burthens at a time when he had been already stricken by the tragic death of one of his sons in a riding accident, and by his growing blindness, which has recently necessitated a serious operation in Switzerland and enforced rest from work. The cataract from which he was suffering has been removed, but it will obviously be some time before he can resume his normal political life.

The Bill to re-model the constitution is held up pending his return. It is believed that this measure will abolish the office of Governor General and set up a republic in all but name. It will certainly be the prelude to a general election. The Senate continues its precarious existence, and its execution, so frequently expected and now overdue, will also probably be reserved for Mr. de Valera's personal pleasure. It may even be permitted to survive till the summer recess, but its doom is certain.

III. STRATEGIC PROBLEMS

IT is obvious that the modern developments of air power raise serious problems that are bound to react on the future of the Irish Free State. These developments make it certain that if the southern shore of the English Channel, or even the Rhine, is occupied by a hostile Power, that sea-way will no longer be available as a safe approach to Great Britain, and moreover the three repair bases of the British fleet may become unsafe and untenable. The approach to Great Britain by sea would then perforce be possible only through the Irish Sea or by the Atlantic round the western coast of Ireland. Under such conditions the British fleet would, as experts have recently pointed out,* be probably based on Rosyth, Milford Haven,

* See "Defence and Sea Power," by Admiral Sir Barry Domville, *Observer*, January 19, 1936.

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and Bantry Bay. It therefore becomes vital to British security that British forces should be assured of access to Irish territory and harbours in the event of hostilities. The Treaty of 1921 provides that, until an arrangement has been made between the British and Irish Governments whereby the Irish Free State undertakes its own coastal defence, the defence by sea of Great Britain and Ireland shall be undertaken by imperial forces. It also provides that in time of war, or strained relations with a foreign Power, the Free State shall afford to those forces such harbour and other facilities as the British Government may require for the purposes of such defence. These provisions still stand, no arrangement having been made by the Free State to undertake its own coastal defence. British forces still occupy strategic fortified positions at Berehaven, Cork Harbour, and Lough Swilly, and the British may use these ports. But it is obvious that if our south-west ports, such as Bantry Bay or Cork Harbour, are to be used in time of war, more than this will be necessary; for those places would of necessity have to be surrounded by prohibited areas under military control.

These problems raise difficult questions, which must be answered at once in the event of a European war, and which should, under existing circumstances, obviously be discussed and agreed on in advance. It is clear that the Free State Government realise their existence and gravity. Mr. de Valera has recently stated * that the Free State was not arranging to put its territory at the disposition of any Power as a base for an air attack on England. But more than this assurance is needed. Great Britain in such a case would clearly require more than neutrality; for it is obvious that in order to safeguard the approaches to British naval bases in this country the assistance of the Free State army would be desirable and probably essential.

The extreme republican element is alive to the situation, and Mr. Maurice Twomey, the Chief of Staff of the I.R.A.,

* *Paris-Soir*, February 8, 1936.

POSTSCRIPT ON THE BUDGET

speaking at Boyle, County Roscommon, on Easter Sunday, said that another great war was imminent and they must be ready to take advantage of it. They must fight, not with England, but against her. England would try to use Ireland as a war base. Under the Treaty she could claim to use Ireland to an unlimited extent, but Irishmen must never again be cannon-fodder for England's battlefields, and the conscience of the country must be used against Irishmen joining the forces of the national enemy. Mr. Sean MacBride has also asserted recently that the Italian Government made it very plain to Mr. de Valera that in the event of war with Great Britain the Irish Free State would not be looked upon as neutral. It is therefore certain that the Free State Government will have to face the opposition of these extreme elements if it takes active steps in support of Great Britain in time of war.

The rights of Great Britain under the Treaty are not ambiguous, but it is clear that their successful application must depend in large measure on the acquiescence and support of the Free State Government. To secure that support arrangements should be made in advance, and not at the eleventh hour. They will clearly be impossible without a complete reconciliation between the two Governments, based on a recognition of the political unity of Ireland.

IV. POSTSCRIPT ON THE BUDGET

MR. MACENTEE'S fifth budget, if not sensational, is certainly satisfactory. Apart from the inevitable new tariffs, ranging from typewriter ribbons to tennis balls, there is no increase in taxation. Revenue last year exceeded the estimate by £1,215,620, a result largely due to the increasing prosperity of our principal customer, Great Britain. Estimating expenditure for the coming year at £30,183,500, and revenue at £30,356,000, Mr. MacEntee expects to have a surplus of £352,500. With this in hand he has reduced the customs and excise duties on sugar by

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one farthing a pound, abolished the levies on cattle and sheep, removed the import duties on newsprint and on certain kinds of imported glass and wool, increased the income tax allowance for children from £50 to £60, and reduced the entertainment tax on the cheaper kind of cinema seats. It is only fair to point out that the removal of the tax on coal and the abolition of the cattle bounties, both of which took place before the budget, were also a substantial gain to the taxpayer. The most striking feature of the budget, however, is the setting up of an Unemployment Fund of £1,675,000 without any increase of taxation. This fund, together with contributions from the local rates which will bring it up to £2,500,000, will be used to carry through a definite programme of public works for the relief of unemployment. Mr. MacEntee pointed out that the net amount of our national debt is only £27,867,000, which is considerably less than a single year's revenue. We can therefore congratulate ourselves on having the smallest *per capita* debt in Europe. Under such circumstances, and with a rising revenue, no sensible citizen can object to proper provision for social services and unemployment.

GREAT BRITAIN

I. THE REORGANISATION OF DEFENCE

FOR months political interest has been concentrated on problems of foreign policy and defence. The anxieties of Parliament and the general public about the international situation and our own national security have cumulatively grown. The Italo-Abyssinian war opened men's eyes, as no previous event had done, to the risks implied in a policy of collective security, as well as to the possibilities of attack upon our own direct interests. Then came the reoccupation of the Rhineland and the intense international crisis that followed, sharpening to a fine point the fears for our own position in relation to our European neighbours, fears that had steadily penetrated the public conscience since Herr Hitler's advent to power and the subsequent rapid rearmament of Germany.

The debate in the House of Commons on February 14 on a private member's Bill to establish a single Ministry of Defence took place in an atmosphere of deep concern and anxiety among all parties. Sir Austen Chamberlain in particular created a stir that spread far beyond Parliament by a speech in which he referred to the "very rude shocks" that the House and the country had experienced in recent times, "for which they were wholly unprepared, which remained to-day in large part an unexplained mystery, and which make us anxious lest they should be repeated in circumstances more critical where they might be almost fatal". He mentioned the occasion in November of 1934 on which Mr. Baldwin had emphatically denied that Germany was rapidly approaching us in air armament; whereas six months later he had acknowledged himself completely

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wrong, and himself and his advisers completely misled. Sir Austen recalled, too, how when the Hoare-Laval peace plan was first the subject of discussion in the House of Commons, the Prime Minister had said that were these troubles over and his lips unsealed he would make a case and guarantee that no man would go into the lobby against him; whereas a few days later he confessed that he had accepted the peace proposals in error. These things could not have happened, said Sir Austen, if the thinking machine of the Government were working properly and if their defence organisation were really efficient.

The Government's plans for correcting the alleged inadequacy of defence co-ordination have been dealt with at length in an earlier article in this issue of *THE ROUND TABLE*.^{*} Although political opinion was not altogether satisfied, it had more than sufficient distraction in the broad problem of the increased armaments necessary to ensure both the Empire's own security and the maintenance of its proper influence on the side of world peace through the collective obligations to which it was committed. The needs of the different services and branches of defence were widely and controversially canvassed, and figures began to be put about for the probable cost of the rearmament scheme, and guesses made at the method of its financing. A foretaste of the gigantic bill to be met had been given by the supplementary estimates added to the cost of the defence services in the course of the financial year. These totalled some £13 million, roughly £7 million of which was necessitated by special preparations on account of the Italo-Abyssinian war and the tension in the Mediterranean. The expansion of the air force had already been begun in 1935-36, with the objective of a first-line strength of 1,500 planes, and at a cost in that year of approximately £10 million, this being the difference between the total estimates for the year and the actual expenditure in 1934-35. For the whole rearmament programme a

^{*} See above, p. 461.

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figure of £300 million was freely spoken of in well-informed circles.

The Government's statement on their defence policy was therefore eagerly awaited, but when it appeared it failed to satisfy the natural curiosity about the cost of the programme. The Defence White Paper* of March 3 began by reiterating the principles of international policy that the defence scheme was intended to support. Those principles included "unswerving support of the League of Nations, the promotion of collective security, and repeated efforts and initiatives to promote better international understanding, and to reach international agreement for the reduction and limitation of armaments". In recent years successive Governments had deliberately taken the course of postponing defence expenditure that would certainly have been justified, and might indeed have been regarded as necessary, in order to give the best possible opportunity for the development of a new international order in which such expenditure might be avoided. But conditions in the international field had deteriorated. Taking risks for peace had not removed the dangers of war. The Government had no alternative to reviewing the country's defences and to providing the necessary means both of safeguarding ourselves against aggression and of playing our part in the enforcement by common action of international obligations.

Collective security can hardly be maintained unless every member of the League of Nations is prepared to make a contribution, adequate in relation to its resources, to the strength of the whole. We cannot excuse our own weakness by pointing to the strength of our neighbours.

The White Paper went on to mention the outstanding facts about the increase of national armaments in other countries, and then to give particulars of the actual defence improvements that were planned. In order to render the navy "capable in all circumstances" of assuring to this

* Cmd. 5107.

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country the supplies of sea-borne food and raw materials on which its existence depended, and of maintaining free passage between the different parts of the Empire of troops and supplies of all kinds, new construction would have to be accelerated and deficiencies in ammunition and stores made good. After the expiry of the London naval treaty on December 31, 1936, two new capital ships would be laid down, and meanwhile the modernisation of certain existing battleships would be continued. In cruisers the aim was to increase the total number to 70, of which 60 would be under-age and 10 over-age. (Seventy is the long-standing cruiser-standard of the Admiralty, which it was induced to relinquish, under safeguards, at the London naval conference of 1930.) Five cruisers would be included in the 1936 programme. A steady replacement programme for destroyers and submarines was contemplated, and a new aircraft carrier would be laid down.* The fleet air arm, which was considerably weaker than it should be by comparison with other navies,† would be substantially expanded.

The army, said the White Paper, has three main functions to perform :

to maintain garrisons overseas in various parts of the Empire, to provide the military share in home defence, including anti-aircraft defence, coast defence and internal security, and, lastly, in time of emergency or war to provide a properly equipped force ready to proceed overseas wherever it may be wanted.

Compared with 1914 the army had been reduced by 21 battalions of infantry, and it was now proposed to raise four new battalions. It was also urgently necessary to equip the army with the most modern armament and

* See THE ROUND TABLE, No. 101, December 1935, p. 53, for tables comparing the actual strength of the navy with the navies of other Powers. See also above, p. 518, for an article on the new limitation treaty.

† In the House of Commons on May 4 Mr. Winston Churchill affirmed that whereas the United States had about 560 aircraft with her fleet, and Japan about 800, even with the extra machines under the programme of 1935 the aircraft of the Royal Navy would not exceed 217. (See also the *Manchester Guardian*, March 30, 1936.)

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material. The modernisation of coast defence and defended ports at home and abroad would be accelerated, and the reorganisation of anti-aircraft defence in the south-east of England that had already been authorised would be extended to cover the important industrial districts in the centre and north of the country.

The primary function of the Royal Air Force was to provide an effective deterrent to any attack upon the vital interests of this country whether situated at home or overseas.

The 1935 programme for the expansion of the Royal Air Force had been designed to bring up the strength of the force at home to a first-line total of 1,500 aircraft. In the light of experience the details of this programme were being revised, and the objective was being raised to 1,750 aircraft, exclusive of the fleet air arm. The problem of co-ordination of air defence was occupying the constant attention of the Committee of Imperial Defence. The air force also had responsibilities in the general scheme of imperial defence. Air units must be located at convenient places on the strategic air routes, for which purpose the Government proposed an increase of approximately 12 squadrons. Four new auxiliary squadrons would form a nucleus for co-operation with the Territorial Army, and the five regular army co-operation squadrons would be raised to seven. The provision of adequate reserves in both men and material for the air force was an essential need. Meanwhile the Air-raid Precautions Department of the Home Office, in consultation with local authorities, had been at work on plans for the protection of the civilian population that were now approaching the stage when they could be put into operation. The White Paper emphasised that the plans for all three services must be regarded as flexible and subject to variation in detail from time to time.

The White Paper then recalled the Government's policy with regard to co-ordination of defence, and noted that one of its purposes was "to ensure the fullest and most effective use of the industrial capacity and the man power

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available for production of material in the country". The rearmament programme would make specially heavy demands upon certain branches of industry and upon certain classes of skilled labour. If that was to be done without impeding the course of normal trade, there must be the most careful organisation and the willing co-operation both of the leaders of industry and of the trade unions. The policy of accumulating large reserves of munitions and equipment was rejected, not only on account of the cost, but also on account of the rapid obsolescence of modern weapons and methods of warfare. The preferable plan was so to organise industry that it could rapidly change over at the vital points from commercial to war production should the necessity arise. Not only would it be necessary to extend or duplicate existing government factories (both vulnerability of situation and the needs of the Special Areas receiving consideration), and to obtain the expansion of the plant of normal government contractors, but the field of supply for defence purposes would also have to be extended to other firms not normally engaged in armament work; steps were already being taken to enlarge the field of production for the air force by placing orders with firms that did not ordinarily manufacture either for the force or for civil aviation. Furthermore, the Government had decided to create a reserve source of supply, which would be available in case of emergency. A number of firms would be selected that did not normally make warlike stores but that were suitable both by their experience and by their possession of a skilled staff of engineers and workmen. Arrangements would then be made with these firms for the laying down of the necessary plant and machinery for a given output of selected articles, and sufficient orders in peace-time would be guaranteed to allow for the requisite training in the work of production.*

* It has been announced that two large motor firms have agreed to act on these lines.

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It followed from the flexibility of the programme, and from the uncertainty as to the rate of progress possible, that any attempt to estimate the total cost of the proposals would be premature at that stage. The original estimates for 1936-37 would have to be supplemented by provision for the further defence measures described in the White Paper; and those for the following years must necessarily be larger. In the absence of any scheme of general disarmament, the annual cost of maintenance of the reorganised services must remain on a substantially higher level than at present.

This programme received a general measure of cordial assent among supporters of the Government, though there were critics on the score of inadequate co-ordination as well as on technical points like the vulnerability of battle-ships from the air—a question that has gravely agitated many minds, in view of the immense cost of these giant ships and of the claims put forward for modern air power. On the Opposition side, the Liberals gave their general endorsement to the programme, while pressing for a clearer and more whole-hearted policy of support for the League of Nations as the underlying basis of defence policy. The Labour party pressed the same criticism to the point of opposing the defence programme as a whole, on the ground of the alleged equivocation and half-heartedness of the Government in paying service to the principles of collective security. They argued that although the White Paper ostensibly—even ostentatiously—paid respect to those principles, its substantive terms indicated that in practice the Government took a narrower view of the functions of the defence forces. Labour does not find it easy to make up its mind on defence questions. There is, of course, a pacifist minority in the Labour party, but it is relatively weak in the trade unions, and it seems likely that the latter as a group will afford practical co-operation with the Government in carrying out the programme.

THE BUDGET

II. THE BUDGET

THE budget—the fifth presented by Mr. Neville Chamberlain—gave some further indication of the cost of the improvement in our defences. The Chancellor's future plans could be founded firmly upon a satisfactory fiscal position; for in spite of an increase of £13 million in the defence votes by supplementary estimates he had achieved in 1935-36 a surplus of nearly £3 million, in addition to the sum of £12½ million paid to sinking fund under the system of a fixed charge for interest, management, and repayment of the national debt. The total surplus on current account thus approached £15½ million. An economy of £7·8 million was achieved on departmental votes, other than the defence services and the self-balancing account of the Post Office, while revenue was up by £18·4 million compared with the budget estimates, and by £36·5 million compared with receipts in 1934-35. The chief contributors to this advance of revenue were customs, income tax, and estate duties.

The prospects for 1936-37, however, were darkened by the need to increase by many millions the expenditure on our defence forces. The total preliminary estimates for the navy, the army, and the air force were £21·2 million higher than the expenditure in 1935-36, and £44·2 million higher than the expenditure in 1934-35. Moreover, Mr. Chamberlain thought it wise to budget for a further £20 million of supplementary estimates for the defence forces, which he thought it probable would be required in the course of the financial year. The Chancellor dealt at some length in his budget speech with the principles that ought to guide the financing of the future cost of the defence programme. The need for the enormous increase in the defence expenditure arose out of two causes :

First, a gap, a legacy left from the past, which the past in its time was either unwilling or unable to bear; and, secondly, the development of a new policy, the benefits of which we hope

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will inure to posterity but the initial cost of which has to be met at once.

Both of these circumstances were exceptional, and both, in his judgment, were such as to make it inequitable that the whole cost of the programme should fall upon the revenue that had to be extracted from the people in the course of a single five-year period. On the other hand, it was neither just nor in accordance with sound principles of finance that the whole burden should be pushed upon the shoulders of future generations. He warned the House that unless it were possible to come to some agreement upon a general scheme of disarmament the cost of defence was going to rise swiftly during the next few years to a peak, and although thereafter it would descend it would not descend to the old level. The annual cost of the maintenance of the reorganised forces, as the White Paper had said, would in all likelihood substantially exceed the £158 million provided for in the original estimates for this year. Clearly in each year the rising cost of maintenance must be found out of revenue. How much more must be found out of revenue in any particular year he was not now prepared to assess, but it would be well to bear in mind that to raise taxation to a level that would seriously cripple the industries of the country would be to do a very ill service to posterity. In future years, therefore, a part of the emergency expenditure might properly be met out of loans.

Meanwhile he had the task of balancing his budget in the face of an increase of very nearly £64 million in total expenditure as compared with the original estimates for 1935-36. On the present basis of taxation he would be left with a prospective deficit of £21.3 million. He proposed to bring in legislation to close certain methods of evasion of income tax or surtax, notably the practice of forming one-man companies and the colourable education trusts whereby parents diminished their liability to tax by assigning income to their children. Compensation to

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parents as a group was provided by the increase of the statutory allowance for children from £50 to £60 per child and for married persons from £170 to £180. There would be a surtax of £1 a barrel on beer imported from non-Empire countries. The "key industries" duties, which were due to expire, would be renewed with certain additions and modifications. The Road Fund would once again be "raided" to the tune of £5¼ million. That reduced to £15 million the amount to be found by new taxation. As the restoration and financing of defence was in the interests of all, said the Chancellor, it was only right and fair that all should contribute towards it. An increase of 3d in the £ in the standard rate of income tax, from 4s. 6d to 4s. 9d, would give an extra £12 million, and an extra duty of 2d a pound on tea would bring in £3½ million. On the final balance sheet, the revenue was estimated at £798,381,000 and the expenditure at £797,897,000, leaving a prospective surplus of £484,000.

The rise in the income tax, which had been—rather surprisingly in retrospect—quite unexpected in political circles, was received with gloomy resignation. The criticism of the Opposition was concentrated upon the extra tax of 2d a pound on tea, which was represented as a heartless imposition upon the poor widow and the unemployed family, compelling them go short of some other necessity of life. The Chancellor, however, was surely right in insisting that every household should feel the burden of increased armaments; and the Labour party, who object to so great an expenditure upon our defences, should be the first to welcome any means of bringing home the cost to the mass of the electorate. The immediate effect of the budget in the City was a certain depression of government securities, but they soon revived when investors realised that their surest safeguard was the maintenance of strict principles of public finance. Industrial securities generally have been strong in view of the prospect of largely increased armament orders, but Mr. Chamberlain

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correctly pointed out that the effect of rearmament as a stimulus to industry must depend on the extent to which it absorbed new money, and did not merely mean a transfer of purchases from one group of goods to another.

Supplementary estimates for the navy and air force have already absorbed the whole of the £20 million set aside for this purpose, and there is no immediate prospect of curtailing the special expenditure necessitated by the tension in the Mediterranean. Last year, budgetary stability was saved by economies on the civil votes and by the buoyancy of revenue beyond the Chancellor's expectations. It seems likely that if there is to be a balance at the end of the current financial year we shall have to rely on the same factors. There is a common feeling that, as in previous years, the Chancellor has deliberately been cautious in his estimates of the prospective revenue. Yet the final outlook is generally depressing. There has been talk of a rise of annual defence expenditure "swiftly to a peak," some £120 million higher than the budget estimates of 1935-36, which are nowadays regarded as the datum line, and of a total cost of £450 to £460 million, on the same basis, for five years of rearmament. It is thought possible that income tax will be up to 5s. in the £ again either next year or the year after, though beyond that measure it is generally felt that the Government must find the cost out of a short-term loan. Our only comfort is that with rising prosperity, falling unemployment and a high national standard of living we are in a far better position to stand the strain of a higher scale of armaments than those countries whose militaristic preparations have stirred us to take answering precautions.

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I. CANADA AND WORLD AFFAIRS

IN the last number of *THE ROUND TABLE* * an analysis was made of the Canadian attitude—or rather attitudes—toward the crisis in Europe caused by the Italo-Ethiopian war. The German remilitarisation of the Rhineland having taken place in the interval, it may naturally be asked how Canadians have regarded the new crisis. Canada, of course, is not a party to the Locarno pacts, but, barring the doctrinaire isolationists, this did not blind thinking Canadians to the fact that the German action might well have results that would vitally affect the Dominion, and the course of events has been followed with intense interest.

The vigorous denunciation by Great Britain, together with the other Locarno Powers, of the cynical breach of treaty engagements, and at the same time the disinclination of British public opinion to countenance military action to drive German troops off German soil, were readily understood and approved; and above all the British policy of bringing Germany back into the League was accepted, at least by thoughtful people, as offering a real hope of bringing good out of evil, and of putting the collective system on its feet at the very moment when it appeared to have received a “knock-out” blow. For the very large numbers of Canadians who had come last autumn to hope that the collective system really could be made to work were not prepared to admit that Germany’s action had given the League its *coup de grâce*, by making impossible the effective enforcement of sanctions against Italy. Rather their view was that the new German crisis was the direct result of the failure to give the collective system a fair trial—

* See *THE ROUND TABLE*, No. 102, March 1936, p. 376.

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the result, in other words, of a partial resort to the old alliance system. France, lacking faith in the League, had paid for Italian support against Germany by promising Italy that her Ethiopian adventure would meet with no more French opposition than was necessary (to save appearances), and Germany tore up the Locarno Pact. That is how the case looks from this side of the Atlantic. In other words, as Mr. Chesterton said of Christianity, the collective system has not been tried and found wanting—it has been found difficult and not tried. If Great Britain continues her present policy of “trying” it, it is safe to say that a larger and larger number of Canadians will feel that the only possible course for Canada is to follow her lead.

Some account should now be given of the official attitude of the Government, so far as it has been made clear. Early in the present session the leader of the Co-operative Commonwealth Federation party explicitly asked whether any commitments had been made with regard to imperial defence. While a negative answer was then given, the question was revived after the re-occupation of the Rhineland, and after the Colonial Secretary had made a somewhat ambiguous speech which involved imperial defence. Again the Prime Minister stated that there were no such commitments, and went on :

I wish to say that so far as the Government of Canada is concerned, as a member of the League we are responsible and take responsibility for only those steps which we have taken by ourselves and on our own behalf. What we have done we have done on our own, as a member of the League. . . .

I should add that we have made clear at various conferences that any action in the nature of military obligations of any sort would be entered into by the Government of the day only after such had been recommended to Parliament by the Government and approved by Parliament itself.

It only remains to be said that the question of increasing Canada's defence forces has not been officially raised.

Discussions of foreign affairs in the House of Commons have always been few and far between, and even the critical events of the last few months have not affected this

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rule. Early in March a desultory debate took place on a motion urging fulfilment of our obligations to the League, but neither the Government nor the official (Conservative) Opposition took any serious part in it. On March 23, that is, after the Rhineland episode, the leader of the Opposition (Mr. R. B. Bennett) asked for a statement on the European situation. In reply the Prime Minister (Mr. Mackenzie King) quoted as a precedent Mr. Eden's request that the Government should not be pressed for information in the course of negotiations. To this Mr. Bennett agreed, but Mr. Woodsworth (C.C.F.) was less satisfied.

. . . The Prime Minister (he said) has not indicated in any way whatever what the attitude of this Government is under the circumstances. It is quite true that we are not a party to the Locarno treaty, but we are a member of the League of Nations, and, as I understand it, the recent action of Germany is an infringement of the Covenant. What is the attitude of Canada, or have we expressed an attitude either to Great Britain or to the League with regard to what we consider that action of Germany might involve? It seems to me that we cannot go on indefinitely without having some indication from the Government as to what the attitude of Canada is.

The Prime Minister's reply is so characteristic as to be worth quoting in full.

May I say to my hon. friend that, in a word, the attitude of the Government is to do nothing itself and if possible to prevent anything occurring which will precipitate one additional factor into the all-important discussions which are now taking place in Europe. I believe that Canada's first duty to the League and to the British Empire, with respect to all the great issues that come up, is, if possible, to keep this country united. I believe that can be more effectively accomplished at this stage if we wait until we are a little more fully informed than we are at the moment, with respect to all the considerations of which we should have knowledge before attempting to pronounce too definitely upon the position which we are taking or shall take with regard to European affairs.

The brief periods given to debates on foreign affairs suggest a surprising lack of interest on the part of the House as such, while the guarded language of the Prime Minister

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would at first indicate a complete absence of foreign policy. The latter deduction, however, is not altogether justified. The Canadian position is a curious one. On the one hand the Dominion has many advantages, arising out of her remoteness from the problems of the Far East and Europe, and her favourable relations with the British Empire and the United States. On the other hand, however, there must always be a reluctance to lose the benefit of this double protection by a commitment to the policy of either great Power. Furthermore, the divisions of opinion in Canada in regard to foreign policy are not party divisions but for the most part sectional ones. "To keep this country united", therefore, on any major issue of foreign policy can never be easy.

In view of the attraction of Canada to two poles, Great Britain and the United States, and in view of the sharp divergences of local opinion, it has apparently been thought wise as far as possible to avoid making foreign policy a political issue. The disadvantage of such a course would seem to be that a failure to discuss foreign affairs in Parliament means that no preparation is being made with a view to the time when the Dominion may be faced with the necessity of taking an important decision. And since it is generally agreed that Parliament would have to make such a decision, there may be reason to fear that it would be based on inadequate study of the continuous development of international relations.

For the moment, however, it seems clear that Parliament will leave the Government free to conduct foreign policy, restricted by a rule that no commitment may be entered into, nor any steps taken that might lead to a commitment.

II. POLITICAL AFFAIRS

THE first session of the eighteenth Parliament of Canada opened on February 6, with the balance of power in the House of Commons heavily overweighted in favour of

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the Liberals. Since the Liberal-Progressives and Independent Liberals have consistently supported the King Ministry, the latter have been able to command 179 votes against a total strength of 66 mustered by the combined Opposition groups, of which the Conservatives provide 39. The Ministerialists have also had superiority in debating power, and as a result they have encountered little difficulty in getting through their legislative programme. For the Conservatives, for whom the last election produced no recruits of outstanding ability, Mr. Bennett has borne the main brunt of the parliamentary battle; he invariably shines as a critic, whose comprehensive knowledge of the basic problems of Canada makes him exceedingly formidable. His industry and zeal in this rôle are demonstrated by the fact that up to the Easter vacation, which began on April 8, he had himself been responsible for more than 40 per cent. of the contents of Hansard for the session.

The Social Crediters, who with 17 members are the second strongest of the Opposition groups, are all parliamentary novices, engaged in finding their feet in a new arena. They have been exceedingly industrious in their attendance and have lost no opportunity of expounding the merits—in somewhat nebulous fashion—of their pet panacea for the Dominion's economic troubles; but their contributions to debates on other than financial issues have not been noteworthy and their ranks at Ottawa obviously contain no politician of the same Messianic gifts as Mr. Aberhart, the Premier of Alberta. The Co-operative Commonwealth Federation, bereft of their Alberta contingent of experienced parliamentarians, are 8 strong, a feeble band numerically; but every one of them is a reasonably competent speaker, and in consequence they have been able to play an effective part in debates out of all proportion to their numbers. Moreover, one of their recruits, Mr. M. J. Coldwell of Saskatchewan, a schoolmaster of Devonian birth, has in his first session established his reputation as one of the best speakers in the

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Commons and is the most promising politician that the parties of the Left have sent to Ottawa for many years. Mr. Stevens, the Conservative ex-Minister who is the solitary representative of the Reconstruction party, has ploughed a lonely furrow, but he is one of the ablest debaters in the Commons, and his speeches, which have been sedulously impartial in tone, have been uniformly good.

The Senate, which has had lengthy adjournments for lack of work, is controlled by the Conservatives by a majority of nearly two to one; but Senator Meighen, their leader, who is a very experienced political tactician, has announced that while they will not spare justifiable criticism they will offer no obstacles to legislation for which the Liberals sought and obtained a clear mandate at the last election. He will choose his ground very carefully before he challenges the Commons on any important issue.

The first two months of the session were mainly occupied with two questions, the trade agreement with the United States, and the problem of unemployment. Nearly a month was consumed in the discussion of the trade agreement, and although towards its close certain Conservatives raised the hoary "loyalty" cry, prophesying that the treaty would pave the way for economic domination of Canada by the United States, the arguments ran mainly upon economic lines. The Liberals held that the treaty would bring great advantages to both the producers and the consumers of Canada; that, while opening wider markets for exports, it would tend to lower the cost of living and increase real wages in Canada; and that it would deal a body blow at the spirit of economic nationalism, which was the curse of the modern world. They made light of such objections as the time limit of three years, predicting that once the practical benefits of the treaty were revealed its indefinite prolongation and even the enlargement of its scope would be assured. And they contended that since the Conservatives had been ready to

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deal with the United States on similar lines they were estopped from criticising the agreement actually reached.

The Conservatives' answer to this allegation was to seek to prove that the King Government had only consummated the agreement by sacrificing vital Canadian interests which they themselves preferred to safeguard. They denounced the pact as a dangerous bargain for Canada, which left a large part of her export trade at the mercy of the vicissitudes of American politics; and they claimed that its evil fruits were already visible in the shape of diminished employment in certain industries as the result of increased American competition. They drove home with some success the point that the general concession of the intermediate tariff to the United States had left various Canadian industries with very inadequate protection; as the affected interests have been bombarding Ottawa with their complaints, which are supported by numerous Liberal members, the Government will probably have to take due cognisance of this grievance. The independent groups of the Left endorsed the pact unenthusiastically, expressing the view that it would do little to cure the basic economic troubles of Canada, but they helped the Government to pass the agreement in the Commons by the huge majority of 175 to 39. The Conservative majority in the Senate did not divide against it. Much fiercer criticism was directed by the Conservatives against the terms of the settlement of the trade war with Japan, which they contended were a humiliating surrender to Japanese demands.

The Government brought down three measures designed to deal with the unemployment situation. One of these provided for the establishment of a National Employment Commission of seven members, which is to be charged with the dual duty of supervising the administration of such funds as the Federal Treasury contributes to relief, and of evolving schemes for the provision of work for the unemployed. The chairman of this Commission will be Mr. Arthur B. Purvis of Montreal, the president of Cana-

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dian Industries Ltd., a large corporation engaged in the manufacture of chemicals and explosives, who has acquired great prestige as an able and enlightened business leader. In spite of criticism from the Left on the ground that such a representative of "big business" could have no fundamental understanding of the hardships of the unemployed or sympathy with the viewpoint of labour, his appointment has been widely commended by the press and the business community. The Commission need not be envied its task; for the Minister of Labour admitted that at the end of February there were still 1,237,775 Canadians on direct relief, and when the people engaged on special public works or coming under land-settlement schemes were included the total number in receipt of some form of state assistance was still 1,314,082, a figure about which the best that could be said was that it was roughly 120,000 less than the total on the corresponding date of 1935.

In the fiscal year 1935-36 the expenditures of the Federal Treasury for unemployment relief totalled roughly \$75 million, and the King Ministry was ambitious to effect a substantial curtailment of this vote for the year 1936-37. So it announced that in view of the fact that the expense of maintaining the unemployed decreased as soon as winter departed, it would reduce its direct grants for relief to the provinces by 15 per cent. This decision evoked vigorous protests from both provincial and municipal authorities, who contended that they could not assume any heavier financial burdens for unemployment, and that if the cut were passed on to the unemployed, through a reduction of their somewhat meagre allowances, serious trouble would be courted. In the end the Government decided to enlarge its programme of special public works for the relief of unemployment. In addition to the \$26 million which will be disbursed in grants-in-aid to the provinces, it proposes to spend nearly \$60 million on a variety of projects distributed all over the Dominion. It has also agreed to give financial help to the two railways for special

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maintenance and reconstruction work, in which it is hoped that the inmates of the relief camps for single unemployed men, due to be closed by the end of July, will find employment at least for a year. But the debates on the unemployment situation revealed that Ministers had evolved no specific new remedy for it and are mainly counting upon a revival of foreign trade to stimulate the basic natural industries and provide more work.

The Conservatives were not slow to remind them of their brave promises during the election that under a Liberal régime unemployment would soon vanish as the result of the bold and effective treatment that would be applied to the problem, and Mr. Stevens warned them that under present world conditions there were distinct limitations to the possibilities of an enlargement of foreign trade. The C.C.F. and Social Credit groups expressed frank disappointment with the inadequacy of the relief measures, arguing that unemployment could be solved only by the adoption of their respective programmes. There were also murmurings of dissatisfaction from some radical Liberals. Indeed, the severest critic of the Ministry on this count was a Liberal, Mayor McGeer of Vancouver, long a stormy petrel of British Columbian politics, who accused Ministers of labouring under the same delusion as their predecessors, namely, that a remedy could be found for unemployment without a drastic reform of the present monetary system, and who advocated an adventurous policy of currency inflation.

The Government has also introduced a Bill designed to change the system of control and management for the Canadian railway system. It proposes to substitute for the present board of three trustees, which was a creation of Mr. Bennett's Ministry, a directorate of seven, such as had functioned under earlier Liberal Administrations. In introducing the Bill Mr. Howe, the Minister of Transportation, severely criticised the board of trustees on the ground that none of them had any familiarity with rail-

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way problems and that they had made no progress toward rescuing the railway from its embarrassments. He announced that the chairman of the new directorate would be a practical railway man, Mr. S. J. Hungerford, who had for many years been one of the chief executives of the system. Mr. Howe's criticism naturally aroused the wrath of Mr. Bennett, who claimed that, if the King Ministry were allowed to appoint a board composed of their own creatures, the door would be opened for a fresh bedevilment of the railway by political interference. Since this view is widely held in the Conservative party there is more than a possibility that the Conservative majority in the Senate may reject this railway legislation, and a sharp controversy between the two Houses would then develop.

The problem of provincial debts and finances, with which is bound up the wider problem of constitutional reform, has been a constant source of worry to the King Government. Early in its career it made up its mind that it could not continue indefinitely the generous policy followed by its predecessors in handing out at intervals generous loans to financially embarrassed provinces, without securing some safeguards against further extravagance and financial mismanagement by the borrowers. As the result of a Dominion-provincial conference held at Ottawa last December and subsequent meetings of a national financial committee appointed by this conference, there was concocted a scheme under which loan councils would be established for each province, together with a National Loan Council, as a prelude to a comprehensive refunding of provincial debts at lower rates of interest with the help of a guarantee by the Federal Government.

On its initial production the scheme, which has many merits, seemed to have a reasonable chance of general acceptance, but a study of its implications caused strong opposition to emerge from different quarters. Various provincial politicians protested that if the provincial Administrations surrendered control of their borrowing

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operations to loan councils, which would be dominated by the Federal Government and the Bank of Canada, they would be rendered incapable of formulating policies for vital matters that come within their jurisdiction under the constitution. The issue came to a head at the end of March, when the Social Credit Ministry in Alberta sought help from the Federal Government in meeting a bond issue of \$3,200,000 maturing on April 1, for which purpose its own funds were hopelessly inadequate. Mr. Dunning, the Federal Minister of Finance, with the approval of the Cabinet, insisted that as a condition precedent to any further help the Alberta Government must agree to conform to the loan council scheme. After due deliberation Mr. Aberhart announced that he could not accept the Federal Government's conditions, and Alberta proceeded to achieve the distinction of being the first Canadian province to default upon its financial obligations. Mr. Dunning, however, had made it clear that his imposition of stern conditions was not dictated by any desire to frustrate the experiment in Social Credit, and he laid down the same conditions to Mr. Pattullo, the Liberal Premier of British Columbia, when he made a request for similar help towards the end of April.

The rejection of the loan council scheme by Alberta makes it politically difficult for any other provincial administration to accept it, lest it be accused by its opponents of bartering away provincial rights. The British Columbian Ministry has somehow or other managed to find money to meet its immediate obligations, and has so far not accepted the loan council scheme. At present there are on the order paper of the House of Commons resolutions aiming at amendments to the British North America Act that would clothe the Federal Government with authority to render financial help to the provinces by its guarantee, to erect safeguards for the protection of its Treasury, and to make adjustments of taxation arrangements with the provinces. But in view of the fact that

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the western provinces, which need financial help, are for the most part averse to waiving any of their rights, while the eastern provinces, which do not need help at present, are frankly indifferent to the project, the effort to secure the contemplated constitutional amendments may not be pressed further.

Moreover, the Ministry's wider scheme for a comprehensive reform of the constitution, designed to remove some archaic features, such as the retention of control over it by the British Parliament, and to bring it into conformity with modern conditions, is now making heavy weather, after a brave start. A committee of legal experts had been set to work to draft a tentative plan of procedure for constitutional reform, but in the course of its deliberations sharp differences of opinion arose. It was peculiarly unfortunate and quite unexpected that after M. Taschereau, the Premier of Quebec, who had previously been a "die-hard" opponent of constitutional changes, had announced that he was prepared to support them, having become convinced that minorities like the French-Canadians and the Catholics would be assured of fair treatment under any new dispensation, an obdurate and unreasoning stand against any tampering with the B.N.A. Act should have been taken by the delegates of New Brunswick, who maintained that a sinister scheme was afoot to wipe out the cherished provincial autonomy of New Brunswick and reduce its legislature—a body with sovereign rights dating from 1784, when it first became a separate colony—to the contemptible status of a municipal council. The attitude of the New Brunswickers, who are Liberals, infected the Liberal Administration of adjacent Nova Scotia with the fear that its endorsement of constitutional reform would place a powerful weapon in the hands of the Opposition, and so in turn it began to manifest lukewarmness towards the project.

As a consequence, no further progress towards its achievement, which all intelligent Canadians agree to be

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highly desirable, seems possible for the time being. Meanwhile the Supreme Court, which was charged with pronouncing upon the constitutional validity of half a dozen measures of social and industrial reform passed by the last Ministry, and which two months ago heard lengthy arguments by eminent counsel on the subject, has not delivered its judgments. If it condemns the challenged legislation, of which a substantial part is in operation, great confusion will follow and the issue of constitutional reform will become more pressing than ever.

The greater part of the sessional programme is now before Parliament, but there may be some important additions arising out of the reports of a series of parliamentary committees and Royal Commissions which are investigating such diversified problems as the operations of the textile industry, the working of the Canadian Radio Commission, the problem of grain marketing and the penitentiary system. There may be some controversy about a Bill under which the Government proposes to acquire for itself control of the Bank of Canada by issuing new stock; the radical elements in the Commons think it does not promise effective state control and the Conservatives think it will expose the bank to political interference.

The budget is due to be submitted on May 1, and since the national aggregate deficit will be about \$140 million it will prescribe some increases of taxation. There will also be certain changes in the tariff designed to improve the position of British exporters in the Canadian market, but they will be limited in range as Ministers want to reserve their bargaining power until later in the year when a delegation of the Cabinet proceeds to London to discuss with British Ministers a broad revision of the Anglo-Canadian fiscal agreement. Mr. Mackenzie King's Ministry, if somewhat lacking in imagination and adventurousness, has shown commendable vigour and efficiency in administration, but the days of its political honeymoon are

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over, and while troubles are emerging for the Liberal party in various provincial fields, disillusionment is spreading about its capacity to solve the fundamental problems of the Dominion.

III. WHEAT UNDER THE TRADE AGREEMENT

ONE of the concessions granted by the United States under the trade agreement of 1935 between herself and Canada concerns low-grade wheat. The United States tariff of 1930 provides for an import duty of 42 cents per bushel on milling wheat. In view of the difficulties that the United States has encountered in recent years in disposing of its own wheat surplus and the measures it has taken to reduce wheat acreage, it could scarcely be expected to lower its tariff on wheat of millable quality to admit additional supplies from Canada. The rate of 42 cents per bushel on wheat was originally established by President Coolidge in 1924 upon the recommendation of the United States Tariff Commission, which conducted an elaborate investigation into the comparative costs of growing and marketing wheat in western Canada and in the United States.

The United States tariff of 1930 also provides that wheat unfit for human consumption shall be admitted under a duty of 10 per cent. *ad valorem*. Until the late autumn of 1934 this paragraph was strictly construed, so that practically no low-grade wheat from Canada could enter the United States. In 1934 the extremely severe drought in the United States reduced cereal production there to a point where it verged upon a national calamity. The corn crop was estimated at approximately 1,500 million bushels, compared with 2,334 million bushels in 1933, other feed grains suffering similarly. Under these circumstances it became apparent that imports of feeding stuffs into the United States would be necessary to maintain live-stock. It was represented to the United States Government that under a more liberal interpretation of the terms "wheat unfit for

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human consumption " supplies of low-grade wheat, which it would not be commercially practicable to mill for flour, could secure entry into the country from Canada. In anticipation of such a ruling of the Treasury Department some shipments of feed wheat and No. 6 wheat were made from western Canada before the close of navigation in the autumn of 1934. Subsequent shipments were made by rail during the winter. In March 1935 the Secretary of the Treasury authorised the Customs Department to admit wheat containing 30 per cent. or more by weight of damaged kernels as wheat unfit for human consumption and dutiable at the rate of 10 per cent. *ad valorem*.

The explanatory note released to the Canadian press on November 17, 1935, which accompanied the publication of the text of the trade agreement, contained the following statement :

While the agreement does not cover cereal grain, of which both countries are normally net exporters, it does provide for the maintenance of the 10 per cent. *ad valorem* rates of duty under which Canadian feed wheat and by-products of grain have been entering the United States.

Actually the United States has made no change in this paragraph of the tariff of 1930, but the agreement is intended to protect the more liberal interpretation that had been adopted.

Under the interpretation now effective Canadian northern wheat graded as No. 6 or feed is eligible to enter the United States at the 10 per cent. rate. This wheat is excluded from the higher grades chiefly on account of damage from frost. The determination of what constitutes wheat unfit for human consumption rests with the United States Government's technical officials. It is possible that some No. 5 wheat may also secure entry. The Canadian western wheat crop of 1934 contained a relatively small quantity of low quality wheat, only 3,524 cars, or less than 3 per cent. of total wheat inspections, being graded as No. 6 or feed. But in 1935 the western Canadian crop suffered severely from killing frosts, and out of total primary wheat inspections

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of 90,998 cars between August 1 and December 31, as many as 4,825 cars were graded No. 6 and 7,087 cars were graded feed wheat. This would indicate total market deliveries of at least 25 million bushels of wheat unfit for milling during the present season.

When the United States customs ruling first went into effect there were lively expectations in western Canada that a very large export to the United States for feeding purposes would develop. Estimates of exports as high as 25 million bushels were made. Although a substantial movement has occurred these expectations proved to be over sanguine. Exports of low-grade wheat for feeding purposes from Canada into the United States between November 1934 and January 1, 1936, amounted approximately to 16 million bushels.

It is impossible to forecast how valuable the concession will prove during the next three years, the life of the agreement, since that depends entirely upon favourable or unfavourable crop conditions in the two countries. The production of low-grade wheat naturally varies from year to year and bears no close relation to the total area under cultivation or to the total yield. Apart from the supplies caused by adverse weather conditions, wheat unfit for human consumption might be produced by denaturing wheat of a higher quality through the use of dye processes, but with present price levels for the higher grades there is no incentive to develop the technique required. The widening of the American regulations for imports of feed wheat, however, has given Canada an additional market for her surplus just at a time when she has considerable stocks in hand of the quality to which the reduced rate applies.

AUSTRALIA

I. KING GEORGE V

THE death of King George V has evoked much more than the decent mourning customary when a monarch dies. Many have felt the poignant regret that comes only when a deeply loved personal friend is taken from us. And this feeling has been as strong among those who profess themselves primarily Australians as among those who are purely British. Sentiment that is not personal has of course contributed. King George was the first Chief Magistrate of a great Imperial Commonwealth that freely admitted the equality of status of each of its constituent Dominions. He was, in one sense, the first king of Australia. But personal attachment was the final explanation of our universal sorrow. During and since the Great War, his simple, unobtrusive but powerful personality had become an inspiration. Thousands of Australians as soldiers saw him during the war. Many more have heard his voice on the radio and the films since then. His devotion to duty, his wide knowledge and good sense, his deep sympathy with the common man have become apparent to all. It is no exaggeration to say that we know we have lost a man who was one of us and the best of us.

II. POLITICAL CHRONICLE

EXTERNAL affairs, migration, and defence are beginning to occupy the attention of the public, but the Labour party cares for none of these things. Defence is to be limited to "adequate home defence against possible foreign aggression". There is to be "no raising of forces for service outside the Commonwealth, or participation or

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promise of participation in any future oversea war, except by decision of the people". Responsible Labour leaders, when questioned privately, have admitted that a Labour Government in an international crisis would act as the danger of the moment demanded. None the less the party has no external policy based on the duties, responsibilities, and dangers of Australia, either as an autonomous community in a re-arming world, or as a partner in the imperial Commonwealth. This air of "splendid isolation" will be intensified by the closing of the breach between the Federal party and the New South Wales party.

The Labour Party and Mr. Lang

Overseas readers must often have been puzzled by the excessive publicity given to Mr. Lang, who in the closing days of the Scullin Ministry (1931) seemed to overshadow the Australian Prime Minister. The explanation is that Mr. Lang represents a new type of Labour organisation and method, which has been tried without success in New South Wales and may yet be tried in the Commonwealth and other States. The Labour party in Australia has always had a militant or left wing and a moderate or right wing. The former advocates collectivism, the latter is content with improvement in industrial conditions and extension of social services. Their differing and, it may be, incompatible aims both find expression in the party's statement of policy. A *modus vivendi* has been found in an objective—or declaration of ultimate intention—which is socialistic, coupled with a day-to-day policy which recognises and indeed builds on the existing individualist economic structure. The inevitable conflict between the two wings is fought out, not in the parliamentary parties, which carry out policies formulated in conferences, but in those conferences and in the political leagues and trade unions that make up the extra-parliamentary structure of the party.

There is no sharp division in opinion between political

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leagues and trade unions. "Moderates" and "militants" are found in both, and indeed the majority of league members are trade unionists. But the intransigent and the zealot have found the unions more plastic than the leagues. Many trade unionists take no interest in the election of officers or the shaping of policy. A militant minority can easily carry resolutions and elect its nominees. Political leagues, on the other hand, include professional men, married women, and others who have no title to trade union membership. They are frequently—more especially in rural constituencies—dominated by the personal friends or political associates of the parliamentary representative, whose political experience inclines him towards moderation. Consequently, those who want "socialism in our time" have striven to reduce the representation of the political leagues and increase the representation of trade unions at the State conferences, which lay down the policies of State parties and elect representatives to the federal conferences. They have succeeded only in the State of New South Wales.

The schism of 1931 resulted partly from the difficulties inherent in federalism, partly from the refashioning of the party machine in New South Wales, and the development of a spirit of intolerance there. As it was impossible to transfer to a party conference the delicate equipoise between representation of States and representation of persons, which has been produced in the Commonwealth Parliament by giving the States equal representation in the Senate and representation proportionate to population in the House of Representatives, the federal conference has consisted of six representatives and the federal executive of two representatives from each State. Theoretically this was undemocratic, in practice it worked, because the federal policy in the main was one on which there was general agreement throughout Australia. But before the Scullin Ministry assumed office in 1931 the mine that was to wreck it had been laid. Secondary industry had developed in

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New South Wales and Victoria. The other States were still farming and pastoral communities, in which resentment caused by unemployment was less keenly felt. There was thus certain to be a demand for more vigorous measures from the class-conscious city workers of Sydney and Melbourne than the mild-minded citizens of the other States would tolerate.

In New South Wales the new conditions had already produced a party revolution. The industrial unions had captured the machine. The party rules had been recast so as to reduce the representation of leagues from about one-half to less than one-quarter. This ensured the ascendancy of the militants. To make their control of the political machine absolute, the left wing took all power of deliberation, even as to the means by which the party platform was to be executed, out of the hands of the parliamentary party, and made the leader of the New South Wales party, Mr. J. T. Lang, who was then Premier of the State, the sole public exponent of the party platform. In all other States and in the Commonwealth, the party machinery continued as before. In Victoria, the militants were powerful and active, but did not favour a complete departure from democratic methods.

In 1931 the Scullin (Labour) Ministry proposed to meet a falling price level and rising government deficits by a policy of "limited inflation". The New South Wales Labour party executive immediately took the wind out of their sails by a more spectacular proposal. The "Lang Plan" was announced. In brief, it meant suspension of payment of interest on that part of the public debt which was owed to investors in Great Britain, and reduction to 3 per cent. of all interest owing on the internal debt. The result was the expulsion of the New South Wales Labour organisation from the Australian Labour party and the organisation of a new Federal Labour party in New South Wales.

Since then two federal elections and two elections in the

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State of New South Wales have been held. Labour has been defeated in all. But Mr. Lang, though rejected by the people of his State, has retained his grip on his party machinery. The sources of his political power have been the Sydney *Labour Daily*, on which he holds a debenture, the trade union representatives on the New South Wales Australian Labour party executive, most of whom are controlled by Mr. John Garden, M.P., former secretary of the New South Wales Trades and Labour Council, and radio station 2 KY (Sydney), which Mr. Garden controls on behalf of the Trades and Labour Council. The party revolution in New South Wales, which first made the New South Wales Labour party a distinct type of organisation within the Australian Labour party, which then wrenched it apart and kept it intact as a separate entity, and which has now compelled a reunion apparently as arbitrary as the separation, was the joint work of Mr. Garden and Mr. Lang. Mr. Lang was the king, Mr. Garden the king-maker.

The Australian Labour party, which outside New South Wales has continued to acquiesce in the unequal yoking of "moderates" and "militants", has found that moderation is the key to electoral success. In the Commonwealth as a whole it has failed. In Queensland and Western Australia, where the moderates prevailed, it has won two successive elections. In New South Wales the "Federal Labour party", which was established to take the place of the rebellious party led by Mr. Lang, has not become an effective force. It has not won a single seat in the New South Wales Legislative Assembly—though a large number of candidates contested two general elections—and it has retained only one New South Wales seat—Newcastle—in the Commonwealth House of Representatives. The Federal Conference of the A.L.P. has now agreed to disband its skeleton army in New South Wales and accept Mr. Lang and his followers as the official party.

This, however, is a yielding to *force majeure*, not a change

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of heart. The Labour party outside New South Wales is still democratic, moderate, and prepared to work within the constitution. Its outstanding leaders are Mr. Forgan Smith, Premier of Queensland, and Mr. Collier, Premier of Western Australia, both of whom would fit easily into a Liberal or Radical party. Even in Victoria, where the militant trade unionists are in the saddle, Mr. Lang and his methods of organisation are not popular. Labour leaders outside New South Wales realise the electoral handicap that association with Mr. Lang brings. All are aware of the popular reaction to the policy that led *Punch* to refer to him as the "New South Welsher," and most are genuinely opposed to his dictatorial methods.

Meanwhile the king and the king-maker have fallen out. Probably neither has been encouraged or deterred by the classic example of Edward IV and Warwick. Mr. Lang and Mr. Garden are not students of the past. They are interested in immediate material things. Mr. Lang controls the Sydney *Labour Daily*, Mr. Garden radio station 2 KY. Both are vital to the man who wants the votes of class-conscious Labour electors in New South Wales. But the *Labour Daily* is not at the moment profitable. Station 2 KY is. Mr. Lang's followers on the Sydney Trades and Labour Council therefore attempted to take the control of the radio station out of the hands of the Council and put it under the control of a committee representing the Labour Council, the New South Wales political Labour party and the *Labour Daily*. This meant, in effect, control by Mr. Lang. Mr. Garden resisted, and his influence has been strong enough to call a stalemate. For the moment, the fight is off. "King-maker" and "king" have made peace—whether permanently or not is a close secret. The dispute has shown that Mr. Lang's control of his political machine is not complete. But the establishment of a balance of power between two party bosses does not mean democratic control. The New South Wales section of the Labour party is still, in method and spirit, alien to the

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rest of the movement. Labour may break again, and break at the joint recently articulated.

Western Australian Elections

At the general election in Western Australia the Government's majority was reduced to two. The Premier, Mr. Collier, was returned unopposed, but Mr. J. J. Kenneally, Minister for Employment, was defeated by a narrow margin. There may be some significance in Mr. Kenneally's defeat, as he was the strongest man in the Ministry and responsible for the policy by which the Government was judged. There is some humour (considering the issues) in the success of his opponent, an Independent who on January 14 was adjudged bankrupt, and whose election may therefore be declared void. The Independent's bankruptcy was the result of his championship, at his personal expense, of a suit against the Government. The success of the Government in promoting or at least permitting business revival was really the only issue. Its return by a narrow majority indicated that there is no attractive alternative to its honest but not particularly vigorous re-employment policy. The secessionists are still active, but it is questionable whether the Government's refusal to take their agitation seriously lost it much support. The coming fusion with the New South Wales Lang party alienated some voters, but probably made little difference to the result. The conference that re-admitted Mr. Lang had been postponed in order that "unity" might not be achieved before the elections. Moreover, Mr. Collier opposed Mr. Lang and his methods, and Mr. Kenneally was President of the Federal Labour Conference that read the New South Wales branch out of the Labour party and on two occasions refused it readmittance.

Mr. Hughes

After the brief rustication that followed his declaration that sanctions would lead to war, at a time when the

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Ministry of which he was a member had decided to support sanctions, Mr. Hughes has been reinstated. The calmness with which Mr. Hughes took his dismissal suggested the interchange of harmless pistol-shots customary in a modern French duel. Now "honour is satisfied" and our one elder statesman resumes office, smiling and unscathed. Politics will be more interesting and reporters and caricaturists pleased. There is a woeful deficiency of picturesque personality in our politics to-day.

III. INTEREST RATES

AT the beginning of March the Bank of New South Wales and the Bank of Adelaide raised their rates of interest on fixed deposits. Their action was interpreted as a defensive measure against the Commonwealth Bank's issue of £1 million of treasury bills, which had been offered for the first time on the "open market". On March 23 the Commonwealth Bank in its turn increased interest rates. The rates for three-months deposits were raised from 1 per cent. to 2 per cent., for six-months from $1\frac{1}{2}$ per cent. to $2\frac{1}{2}$ per cent., for twelve-months from $2\frac{1}{4}$ per cent. to $2\frac{3}{4}$ per cent., and for twenty-four-months from $2\frac{1}{2}$ to 3 per cent.

The issue of treasury bills was a failure—only 31 per cent. were taken up—and the Commonwealth Bank then announced that the old rates for deposits would prevail if the two banks that offered the higher rate would revert to their former rate. The Bank of Adelaide was willing, but Mr. A. C. Davidson, general manager of the Bank of New South Wales, stated that he would not reverse his policy unless the Commonwealth Bank gave a clear indication that it intended to keep interest rates low by expanding central bank credit. The reply of the Commonwealth Bank was to fall in line with the Bank of New South Wales. It is expected that the new deposit rates will be accepted by all trading banks and that a corresponding rise will be made on the charge for bank advances.

INTEREST RATES

The prospect of hardening interest rates has caused some concern. A period of "cheap money" has contributed largely to our very considerable measure of recovery. Many people hoped that it would continue until our percentage of unemployment was further reduced and until commodity prices, factory expansion, building, motor registrations and the other familiar indications of returning prosperity had risen somewhat further. Some people are asking whether the Commonwealth Bank and the Bank of New South Wales have both interpreted the national need of the moment correctly or whether their divergent policies have brought them and us to a position that nobody desired.

The issue of treasury bills was the occasion of the rise in deposit rates. But it is not certain that they were issued with the intention of raising interest rates or even with the knowledge that such an effect would result. The stated aim was to ascertain if there was an "open market" for these short-term loans at a low rate in Australia. Hitherto treasury bills have been held by the Commonwealth Bank and the trading and other banks. Of the total amount outstanding at December 31, 1935, the greater part had been issued to finance budget deficits and special government expenditure to relieve unemployment. As the banks have usually renewed their holdings for a further term when the bills they have been holding have matured, the Government has had the advantage of loans at low rates of interest for a long time. The issue of treasury bills has thus been a main determinant of the cheap credit we have been enjoying.

The issue on the "open market" tended to have precisely the opposite effect. The holders of the bills were expected to be insurance companies and business houses with some temporarily idle capital. An immediate consequence of the discounting of the bills would be the withdrawal of the holders' deposits from the trading banks. The banks might therefore have been expected to raise their

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deposit rates in order to prevent a weakening of their cash reserves. A discount rate of $1\frac{3}{4}$ per cent. on three-months bills represented higher interest than the trading banks' rate for fixed deposits for the same period, and as the bills did not increase government indebtedness, being merely a renewal of bills already held by the Commonwealth Bank, the placing of them on the open market was equivalent to selling securities, with the result of reducing the cash holdings of the trading banks. It was therefore a deflationary move. None the less it was possibly intended simply as an experiment to test the possibilities of establishing in Australia an open market for treasury bills, which is an important instrument of central bank control of credit. With the rate of interest on three-months deposits raised to 2 per cent., it is not surprising that the issue was a failure, despite the tempting offer of freedom from certain taxation.

The General Manager of the Bank of New South Wales may have interpreted the action of the Commonwealth Bank as a signal from the central bank that a rise in rates was due, or he may have decided that the Commonwealth Bank had no clear policy on the matter of interest rates, and that therefore the trading banks must themselves take the line of safety. From the point of view of the public the important question is whether there is a banking policy in Australia or whether the conflicting aims of institutions which cannot read one another's minds have precipitated us into an unwise policy. Reasons for believing that there is one general policy which is simply a response to current needs may be briefly summarised.

There has been a steadily increased demand for credit—between December 1934 and December 1935, the "ordinary advances and discounts" for all banks in Australia increased by £14,304,000. The rate on mortgages has tended to increase; in December 1935, as much as 33 per cent. of those registered in New South Wales were at over 5 per cent., against 28 per cent. at over 5 per cent. in November. Current account deposits have increased by £7,804,000

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in the twelve months ended December 31, 1935, while fixed deposits have declined in all the Australian banks. There has been sufficient increased demand for credit to indicate that orthodox bankers would expect a hardening of rates.

Accompanying this there have been some of the signs that indicate, to believers in a centrally controlled banking system, the necessity for curbing credit expansion. Funds held temporarily in Australia on behalf of London interests have been withdrawn during the last year. The excess of exports over imports fell in 1935 and reserve funds were drawn on to meet interest payments. London balances of Australian banks have apparently been considerably reduced (as the current totals of London balances held by the trading banks are not known, the extent of the reduction cannot be estimated). The London funds of the Commonwealth Bank on January 27, 1936, were £12,083,000 sterling, compared with £19,740,000 sterling on January 28, 1935. The amount spent abroad by travellers from Australia is increasing and is likely to increase during the year. A rise in interest rates may therefore be justified as a salutary check on unwise spending.

Two groups of thoughtful observers will continue to doubt the benefits of hardening interest rates—first, those who believe with Mr. Keynes that a long period of “cheap money” is necessary to restore a reasonable measure of prosperity; and, second, those who believe that we have neither the self-adjusting mechanism of a purely competitive banking system nor a well-integrated banking system controlled by a central bank. And of course these groups are not mutually exclusive.

IV. THE AIR MAIL CONTRACT

ON January 31 the Prime Minister announced that the Australian Government had decided to reject the British Government's proposal that Australia, in common

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with India, South Africa, and New Zealand, should participate in a scheme for the complete reorganisation of the Empire air mail services, with attendant changes in the present system of control, operating, finance, and routing. The chief detailed features of the proposed scheme, which was to commence in 1937, were: (1) the carriage of all first-class mails, exchanged between the Empire countries concerned, at rates approximating to those charged for sea carriage, (2) a twice-weekly service, (3) the use of large Empire flying-boats between Singapore and Sydney, and between Sydney and New Zealand, using a coastal route via the Gulf of Carpentaria, (4) the pooling of the resources of Dominion companies under the control of Imperial Airways Limited, (5) the payment by the Australian Government of a direct subsidy to Imperial Airways. It appears, however, that under the proposals the present mail subsidy paid by the Commonwealth Government to British shipping companies would still be continued.

In rejecting these plans the Commonwealth Government submitted counter-proposals which would have involved, had they been accepted, an improvement of the present service between Brisbane and Singapore—which has proved a great success and is now unable to cope with all the mail and passengers offering—and a reduction of the surcharge per letter from 1s. 6d to 6d.

However, this plan was rejected by the British authorities, and at the time of writing negotiations between the two Governments are still proceeding. It has been stated that Imperial Airways will go ahead with their original plans whether or not the Australian Government co-operates in them.

The decision of the Commonwealth Government was the result of prolonged Cabinet discussions, and it is understood that the Cabinet was to some extent divided. There has been aroused in the public mind a certain amount of suspicion that what is regarded here as an important

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Empire question had been made the subject of an inter-departmental tug-of-war. This suspicion was not mitigated when the Prime Minister, announcing the Government's decision, said that as negotiations were still proceeding a full statement of the reasons on which the Government's policy was based was undesirable at that stage. He sought refuge in generalities, such as the necessity to assure the future of civil aviation in Australia, which, it was asserted, postulated the full control of the Brisbane-Singapore section of the Empire air route; both these factors, he suggested, were essential from the point of view of Australia's defence policy. Co-operation with the British Government, he said, was most desirable, but Australia must have the right to control her own airways. Much of this bald statement, unsupported as it was by any facts, involved so much question-begging that it was not surprising that the Government's policy had on the whole a very bad press.

Only two of the important morning dailies gave it any degree of support. The *Labour Daily* of Sydney professed to see in the British plans part of a design to secure the future control of the financial and economic policy of the Commonwealth, and condemned them out of hand. The Melbourne *Age* supported the Government, chiefly on protectionist grounds. It was easy to reconcile the proposal to establish an Australian aircraft building industry, which was held to be an important adjunct of the Government's policy, with the traditional attitude of this journal, and the argument was still more attractive if it were presumed (and the Government invited the presumption) that the building-up of such an industry depended on a continuance of the present organisation of the overseas air mail service.

The *Sydney Morning Herald*, the Melbourne *Argus*, and the Brisbane *Courier-Mail* were all extremely critical of the Government's policy, chiefly on the ground of defence, the very ground on which the Minister of Defence, who was left to defend the Government as best he could until

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Parliament met, sought to take his stand. The *Herald* said in a leading article on February 3 :

The Minister for Defence has by word and attitude declared air-mail policy to be primarily a defence matter. What then becomes of the basis of Australian defence policy, namely Imperial co-operation under the Empire defence scheme? Every Minister of Defence has affirmed the principle. We rely for security primarily upon British sea power, and secondly upon supplementing Britain's overwhelming overseas burden through efforts of our own devised in consultation towards a common plan. That flying boats are a vital auxiliary nowadays to the British fleet is accepted.

The Brisbane *Courier-Mail*, with the largest circulation in the State that has led, and still leads, civil aviation in Australia, put the case against the Government more specifically. On February 5 it said :

The Brisbane-Darwin service was in existence and fully justified long before the Darwin-London service was considered a feasible commercial proposition. An Australian aircraft building industry for both civil and defence purposes will not be obstructed because large Imperial flying boats use Australian coastal waters and require for their maintenance highly qualified Australian technical staffs. And, to quote Mr. Parkhill (the Minister for Defence), if the Imperial scheme necessitates the new seaplane route from Darwin via the Gulf of Carpentaria, it is difficult to see how this will weaken Australia's capacity for defence. From Queensland's point of view at least, it would be very welcome if the Federal Government were at last stirred to take an interest in the coasts and waters of Northern Australia.

The last sentence presumably was in reference to the repeated protests that have been made by the Queensland Government to the Federal authorities regarding the presence of foreign seacraft off the Queensland coast. Although no detailed reasons for the Government's policy were available when these opinions were expressed, it is clear that the leading journals of the Commonwealth, with the exceptions mentioned, and including the well-known Sydney weekly, the *Bulletin*, which holds high-protectionist principles, viewed the apparent lack of co-operation exhibited by the Federal Ministry in the projected Empire

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air scheme with misgivings, which the emphasis given to the Prime Minister's statement by the Minister for Defence has done nothing to allay. Recent events abroad have no doubt accentuated the importance of the defence aspect of the question, and unless the Government is able to reassure public opinion, which shows signs of being aroused, that its policy is not inconsistent with the rapid development of an Imperial scheme of defence, it is likely to be subjected to further widespread criticism.

The Government is unquestionably right in its policy of assisting to develop aviation in Australia for both civil and defence purposes. It has been rather lax in the past, especially with regard to the provision of adequate flying facilities; even now the ground organisation is quite inadequate in many parts, and substantial sums will be needed to put it on to an up-to-date basis. Informed opinion appears to consider that the successful future of Australian aviation is more bound up with a policy directed towards making flying safer than with questions concerning the relative merits of land aeroplanes and flying-boats, or the control of the Brisbane-Singapore route. Australia may, or may not be, as was stated by the Minister for Defence, "the second best flying country in the world", but it certainly has enormous flying potentialities.

There are already 27 regular services, of which 11 are operating under subsidy contracts with the Commonwealth Government. These subsidised services cover 10,456 miles of route, operate some 1,300,000 miles per annum, and carry 7,000 passengers per annum. The remaining 16 services are operating without direct government assistance, or with postal contracts under which the operators are paid for air mails carried at poundage rates. The 27 services are operated by 14 different companies, use 48 aircraft of various kinds, cover 16,553 miles of route, and fly an annual mileage of 3,045,848 miles. For the year ended June 1935 (the figures not being quite complete) the number of passengers carried was 15,400, the freight

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carried totalled 211,000 lbs., and 4,600,000 passenger-miles were flown.

Thus it is not surprising that the Government is anxious to consolidate and improve the position of civil aviation in Australia. Its fear apparently is that the system of internal air services would be adversely affected by the use of a coastal route for the overseas mail service, although the former services were in existence long before the Australia-London air mail was inaugurated in December 1934.

Even under the British proposals, connecting land services from West Australia and other centres would still be essential and the present Perth-Darwin link via Daly Waters would have to be retained. It is not easy to appreciate why the internal land services must suffer because there is a direct England-Australia flying-boat connection. Nor has the Government given convincing reasons for holding that the establishment of an aircraft building industry, which is generally regarded as desirable here, is dependent on its retaining control of the Darwin-Brisbane section. The British proposal, it is understood, is that the contract should be between the British and Australian Governments, and not between Imperial Airways Limited and the Australian Government. It is suggested that from an Australian point of view this would not be as satisfactory as the present system of control, which arises out of a contract between the Australian Government and Qantas Empire Airways, in which Imperial Airways has a controlling interest.

The question of defence is more complicated, but it is doubtful whether, as between the Imperial and Australian defence authorities, there are any substantial points of disagreement. Many Australians feel that a definite proposal put forward by the Imperial authorities for their safety ought not to be lightly disregarded. The flying boat and land aeroplane issue can no doubt be argued by experts indefinitely, but it is felt in some quarters that lack of agreement on this aspect should not be allowed to

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prejudice the whole scheme, that possibly both types are necessary for defence purposes and that, if so, both can be maintained under the Empire scheme.

The present system involves the use of different types of planes on the Empire route, whereas under the British plan the same type would be used throughout. From the point of view of the co-ordination of the Empire's air defences, it has been suggested that the latter system has great advantages over the former. A difficulty may arise, however, in connection with the provision of suitable bases for flying-boats on the east coast of Australia. Having regard to the strict requirements of Imperial Airways Limited, it is said to be doubtful whether, with the possible exception of Port Stephen, there are any suitable bases on the east coast from which its 28-ton flying boats could operate.

The added cost of the British proposals to the Australian Treasury has never been seriously advanced against them, and it appears relatively unimportant beside the larger questions involved, and in view of the buoyant state of the federal revenues. The cost to the Commonwealth Government, under the proposed local scheme for the Australian-New Zealand service, is estimated to be double that under the proposal submitted by the British Government.

There the matter rests at the moment, and final judgment must be suspended until the detailed defence of the Australian Government's attitude, which may or may not be more soundly based than this survey suggests, is available. It may be hoped that some formula will be devised that will satisfy the legitimate demands of both the British and the Australian authorities. That, at any rate, so far as can be ascertained, is the desire of a large section of public opinion in the Commonwealth.

SOUTH AFRICA

I. THE BUDGET AND THE GOLD MINES

THE session so far has been occupied almost entirely by the joint sitting of both Houses, called to deal with the Bill for the political representation of natives. That forms the subject of another section of the South African contribution to this issue of THE ROUND TABLE, which appears as a separate article.* The only other matter of first-rate importance that has so far claimed the attention of Parliament is the budget.

Mr. Havenga found himself again in the enviable position of announcing a substantial surplus in the accounts of the financial year ending on March 31. The revenue showed an increase of £2,678,000 over the estimates. There was a carry-forward of £773,000 from the previous year, and an estimated excess of expenditure amounting to £396,000. There thus remained an estimated surplus of £3,055,000 to be dealt with. Following, as they do, a surplus of £3,273,000 for the preceding year, these figures are a remarkable testimony to the sustained expansion of our industrial and commercial prosperity.

The main sources of increased revenue were customs and excise and income tax, excluding the tax levied on the profits of gold-mining companies, which showed a small decrease. The revenues derived by the State from the profits of gold-mining companies require special explanation, in view of the complications that have resulted from the attempt made since the abandonment of the gold standard to impose special taxation on what has been known as the "excess profits" of gold-mining, *i.e.* the additional profit represented by the increased price of gold as expressed in

* See above p. 528.

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our currency. It may be remembered that the first effect of the imposition of this new system of taxation was a feeling of alarm and uncertainty among investors both here and overseas, caused not only by the amount of the imposition but also by the uncertainty of its incidence. In order to allay this alarm and restore confidence, certain undertakings were given by the Government—among others that for the three years 1935-36, 1936-37, and 1937-38 the total taxation (income tax and special duty on "excess profits") was not to exceed 50 per cent. of profits. In practice, however, this undertaking has been applied as meaning that the taxation would be so adjusted as to take 50 per cent. of those profits, and it is this adjustment, and the difficulty of defining excess profits, that have caused most of the uncertainties and complications in the administration of the system. One of the objects of the new system of taxation was to encourage the mining of low-grade ore, and the consequent prolongation of the life of the industry. This object, which was in consonance with the conservative policy followed by the leaders of the industry itself, has been achieved beyond expectations. Since 1932 the average grade of ore milled has fallen by 1.7 dwt. per ton, with the result that, while the tonnage milled was nearly 10,000,000 tons higher in 1935 than in 1932, the yield had fallen by 777,000 ounces. The effect of this rapid drop in grade, combined with the undertaking just mentioned, was that the revenue from the profits of gold-mining fell short of the estimate by £260,000.

Of the surplus of £3,055,000, it is proposed to allocate £1,000,000 to the fund for financing an improved scheme of pensions for public servants, £470,000 in restoration of salary cuts made in 1932-33, £800,000 to the loan fund for making good losses incurred on advances to farmers on account of drought and locust destruction, £250,000 to meet obligations in connection with maize exports, and £500,000 in redemption of debt.

The position of the public debt presented a satisfactory picture. The outstanding debt at March 31 was

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£251,000,000, showing a reduction of approximately £23,000,000 during the financial year. At the date of Union the debt amounted to £116,000,000, so that the increase since then stands at £135,000,000. The expenditure on loan account since Union, however, has been £225,000,000, the balance of £90,000,000 being accounted for mainly by credits to the loan account from mining leases and contributions from revenue, cancellation of debt from sinking funds, and special appropriations. The external debt of the Union stands at £104,000,000, slightly less than the figure at which it stood at the date of Union, so that the whole of the loan expenditure since that date has been found from sources within the country.

The estimates of revenue and expenditure for the current year provide, on the existing basis of taxation, for a surplus of £1,850,000, but reductions in customs duties are proposed at a cost of £550,000. Additional expenditure on improved pensions for public servants, on improved old age pensions, and on assistance for the marketing of our agricultural products (including £250,000 for the distribution of milk and dairy products to school children and institutions) will account for the rest of the estimated surplus, leaving a balance of about £100,000. The reduction of 30 per cent. in income tax which was given last year is continued, but otherwise, except for the reduction in customs duties, there is no further relief for the taxpayer.

There is, however, a very important change in the taxation on gold-mining profits. A departmental committee was appointed last year to enquire into the difficulties that had appeared in the working of the system, and, as the result of its report, radical modifications are now proposed. The conception of excess profits as a separate subject for taxation has been abandoned. Based as it was on the difference between a standard price of gold, when our currency was fixed on the gold content of the pound, and the price expressed in our present currency, the ground for its existence has disappeared with recognition of the fact

THE FISCAL PROBLEM OF THE FUTURE

that the standard price has now only a historical significance. With that conception has gone the principle of adjusting taxation so as to secure for the State 50 per cent. of these assumed excess profits. The new tax will be levied on all profits of gold-mining, taking the place of the existing income tax and excess profits duty. It will be imposed in two stages—a flat rate of 15 per cent. and a graduated rate with a maximum of 35 per cent. The graduated rate is determined by a formula, depending on the percentage ratio of profits to the gold recovered, becoming effective when that ratio is $12\frac{1}{2}$ and upwards, but with a diminishing abatement of £20,000. The new tax is estimated to produce approximately the same amount of revenue, so that there is no reduction in the whole burden on the industry. The improvement is in simplification, a more equitable incidence, and more easily calculable effect. The provisions of the existing income tax law for amortisation of capital over the life of the mine will be continued.

The revenue receipts from taxation of the gold-mining industry are estimated for the current year at £10,260,000, or more than one fourth of the total estimated revenue of £38,330,000. In addition to the revenues from taxation of profits the State obtains a share of the profits derived from the working of mining leases. This, however, is not brought into revenue account, but is paid into the loan fund and used for capital expenditure. The receipts from this source are estimated for the current year at £3,600,000.

II. THE FISCAL PROBLEM OF THE FUTURE

THERE is no harder task for a Finance Minister than to keep down expenditure with an overflowing exchequer. With a state revenue derived so largely as is ours from the exploitation of a wasting asset, it becomes increasingly important to direct the national expenditure to constructive or reproductive purposes. National defence has not so far involved us in extravagant expenditure on armaments,

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though in these days of growing air armaments our immunity from outside attack is less assured than it used to be. Expanding administrative staffs at high rates of pay, an inflated scale of social expenditure natural to the high rewards and speculative conditions of a mining community such as ours, obtaining its unskilled labour from a low-paid uncivilised native population—these are the causes and effects of wastefulness in our national expenditure. As a corrective to this there is the policy of allocating a definite share of the revenues derived from mining to extending and developing our national equipment in transport and communications, in public buildings and schools, in the conservation and utilisation of soil and water, and in social services affecting the education, health and living conditions of the people.

It is a common article of complaint among the urban population that the revenues exacted from the mines and the business and industrial community are squandered on subsidising an uneconomic agriculture. No doubt here, as in other countries with a predominant agricultural population, money has been spent wastefully and unwisely in the attempt to keep farmers from insolvency in the face of an unprecedented depression of agricultural prices, whose effects have here been aggravated by the ravages of drought and locusts. That such expenditure should be to some extent influenced by political exigencies rather than by strictly economic considerations is inevitable in a democratic country. Nevertheless, although the gold mines have certainly been heavily drawn upon to meet this expenditure, it cannot reasonably be said that the industry has not been left with a handsome return on the capital invested, or that its expansion has been restricted. Indeed, in spite of all the high taxation, the extension and equipment of existing mines and the opening up of new areas of mining ground have been proceeding at a pace that has taxed to the utmost the available resources of labour and material. With every allowance for the exigencies of the time the Finance Minister

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can justly claim credit for a safe and conservative policy in the national finances.

The Minister of Railways had also a "prosperity" budget to present for the operation of the railways, harbours, and airways. The revenue for the past year showed an increase of £4,235,000 over the estimate and a surplus of £3,100,000 over expenditure. The expenditure account included, besides working costs and interest on capital, a sum of £2,800,000 allocated to betterment fund, rates equalisation fund and other "special appropriations", which served as cover for a hidden surplus of the previous year. The last year's working therefore left the Minister with a surplus (including a carry-over from the previous year) of £3½ million on a total estimated expenditure of £32 million. The surplus is disposed of by a special contribution of £2 million to renewals fund, £500,000 to level crossing protection, and £1 million to writing off unproductive capital.

Contemplating these figures, the public has long been expecting a substantial reduction in railway tariffs; for the current year they are asked to be satisfied with reductions in goods and passenger rates amounting to £670,000. For the rest, the estimates for the current year are again swollen with special appropriations for betterment funds, rates and wages stabilisation funds, extra renewals allocations and so forth, amounting to £4¾ million. A strong financial reserve is thus being built up against another cycle of depression, so that, when such a time comes, the administration may be able to carry on for as long as possible without recourse to those cuts and retrenchments and increased charges that accentuate the evil conditions they are designed to remedy. It may not be orthodox finance for a government department, and it disappoints a public that does not feel called upon to make such generous provision for a problematic future. But the day may come when we shall be glad that it has been done.

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ACCORDING to Labour's spokesmen, the Government's objective is to give every man, woman and child the opportunity to "live an abundant life, a creative life, and an individual life". This opportunity, it seems, need not await overseas recovery, for New Zealand can be practically "insulated" from outside influences, economic and financial. Internal re-adjustments can then give to the poor the material bases for happiness; and that without penalising the rich. "A great economic and social transformation" is to be achieved, said the Prime Minister, but this will be done with the least possible disturbance, and without injury to anyone's legitimate interests.

I. UNEMPLOYMENT AND PUBLIC WORKS

THE main lines of Labour's pre-election programme have already been sketched in THE ROUND TABLE.* As it had promised, its first care was for the unemployed. The previous Government's provision for a Christmas box was substantially increased, and ultimately £270,000 was handed out as bonus and holiday grants. It was decided, also, that in all work subsidised from unemployment funds full standard wages must be paid, whether the work was being carried out by private employers or by public bodies. Sustainance payments were increased and the wages paid to relief workers in the country raised to a parity with those paid in towns. The functions of the Unemployment Board

* See THE ROUND TABLE, No. 101, December 1935, p. 205, and No. 102, March 1936, p. 430.

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have been suspended, and it is to be abolished; and the administration of the fund has been transferred to the Ministry of Labour, which will administer the Employment Promotion Act, a slightly modified version of the old Unemployment Act. This change follows the trend of development under the last Government; that is to say, emphasis is to be laid upon the stimulation of industrial expansion, rather than upon emergency relief of distress.

Some economies may have followed administrative changes, and recovery had so far proceeded that certain forms of unemployment subsidy could be withdrawn. On February 24 it was announced that scheme 4B (providing for a 50 per cent. subsidy on the labour cost of farm development work carried out by unemployed) had been withdrawn from sheep-farmers, that no further subsidy would be paid on renovations and alterations to private houses, and that subsidies on new houses would be paid only when the contract price did not exceed £700. In spite of such changes, expenditure from the unemployment fund has for many months been exceeding income by a considerable amount; Mr. Armstrong (Minister of Labour) recently estimated the weekly deficiency at £30,000. In addition, at the change of Government the fund was facing a considerable prospective deficit, which would have materialised if the late Government's expenditure plans had been carried out. This situation led to many rumours of impending increase in the wages tax; and it seems likely that the tax may be steeply graduated on higher incomes.

The Government, however, sees unemployment as part of a national problem, to be solved by national measures—among other things, by a vigorous public works policy. Exceptional public attention has been paid to the Public Works Department owing to the activities of its ministerial head, Mr. Robert Semple. He is, in his own phrase, “the same Bob Semple,” though a Minister of the Crown, and his vigour and strength of language have left their mark on

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New Zealand politics. Further, Mr. Semple is reputed to have been free in his promises to those who have asked for the completion of public works all over the country. It remains to be seen how many of these promises will be endorsed and acted upon by the Cabinet. Probably this will turn upon the vital question of finance; but the public is left with the strong though vague impression that big things are soon to be done. Perhaps these will be ultimately co-ordinated into the "national scheme of public works" promised by Mr. Semple on January 3.

It seems clear, at least, that some major railway construction work is to be carried out, and that this is to be done on the Government's own responsibility. Since 1931 the Railways Board has had charge both of administration and of new construction. No new line could be constructed against the Board's will without a resolution of both Houses of Parliament. It is now announced that the Board is to be dissolved, and that there will be reversion to full Cabinet control, both of administration and of construction. Apparently it is the Government's intention, acting on its new powers, to complete the Napier-Gisborne and other lines. In this connection it might be recalled that the Railways Board in 1931 calculated that that line, if completed, would show an annual working loss of about £40,000, to which should be added about £250,000 for interest charges. (This estimate may need modification in view of recent technical developments, and in particular the possibility of using rail-cars.) In a further report (only recently made public) the Board offered to work the line provided that it was completed without capital liability to the Board and that the railways were given a monopoly of all traffic to the district. The late Government was not prepared to force existing motor services off the road, but there are indications that the present Government may be willing to act in some such way. Its members declare that there will be no interference with individual rights, and that the railways would win simply by giving the best possible

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service; but Mr. Semple has said repeatedly that when a line was completed the Government would expect people to give hundred-per-cent. loyalty to that railway, and not to support "throat-cutting" competition. There seems some reason to think that new railways (if not old railways) may be based upon legalised monopoly. There is also a distinct prospect that further road-transport services may be purchased and operated by the railways.

Under Mr. Semple the Public Works Department is to be used not only to build new railways, but also as a spear-head in the fight to establish a new social order. In consultation with union leaders, Mr. Semple worked out a new agreement between the Department and its employees. The Department is to employ no more men at relief work rates. (In January the Department was employing a total of 13,750 men, of whom 8,500 were on relief rates of pay.) If employed at all, men are to be paid standard wages, and given up-to-date equipment. Considerable importance attaches to these changes. During recent years the question of unemployment relief has often dominated public works policy. For example, primitive machinery has often been used simply because it needed more labour to work it. This policy, together with the payment of wages at relief rates, seriously damaged the efficiency of the Department's work, and also the self-respect of its employees. The new policy should help to remedy these things, though it will tend to increase unemployment figures—a point which is not generally realised. The new standard wage is understood to be 15s. per day, with corresponding increases for semi-skilled and skilled workers. The same wage is to be paid to married and single men, and to Maoris. There is to be a 40-hour week, made up of five 8-hour days, so that the cash weekly wage of an unskilled worker will be £3 15s. The last agreement, which ran from November 1930 till October 1932, provided for a wage of £4 2s. 3d for a 47-hour week; but these figures do not give a satisfactory indication of wages normally

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paid immediately before the new agreement went into force. Pay is to be distributed fortnightly instead of monthly, at an additional cost to the Department of £7,000 per year. Accommodation is to be improved, and social amenities (such as libraries) provided. Men are to be entitled to 5 days' leave on full pay after a year's service, and 10 days' leave after two or more years' service. When engaged, men are to be transported free to their place of employment; and (it is hoped) they will be carried free from one job to the next.

Where possible, work is to be carried out on a co-operative basis, but it is understood that all employees are to become members of the New Zealand Workers' Union. In the event of any dispute, the men are to remain on the job, while the points at issue will be referred to the district engineer, failing him to the engineer in charge of the Public Works Department, and finally to the Minister. Mr. Semple said that this agreement "was the best of its type in Australasia, if not in the world", and expressed the hope that it "could be an example to the rest of the world". Union leaders have expressed themselves as equally well satisfied.

II. LABOUR LEGISLATION

MR. SEMPLE'S "new deal" affects only the employees of one government department, but it is not intended to leave other workers permanently out in the cold. The conduct of the State as "the ideal employer" will doubtless do much, and Ministers hope that revised labour legislation will at least make secure a reasonable minimum of progress. Some time ago the Minister of Labour announced that he would introduce four major Bills during the coming session of Parliament: Bills amending the Conciliation and Arbitration, Workers' Compensation, Factories, and Shops and Offices Acts. And he has also prepared an amendment to the Apprentices Act which will be introduced in due course.

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It is understood that in all these Bills substantial concessions will be made to the workers, but it is only with respect to the Arbitration Court that the Government's intentions have been disclosed in some detail. By the amending Bill now before the House, compulsory arbitration is restored, so that if conciliation fails either side will have the right to take the matter to the Court for settlement—that is to say, in this matter New Zealand is to return to the position originally taken up more than 40 years ago, and only abandoned during the depression. In addition, the Court is to apply the 40-hour week to all new awards, and to all existing awards on the application of either party. But any employer may appeal against this provision, and “show cause” why the shorter working week should not be applied to his industry. Again, within three months of the passing of the Act the Court is to declare a basic wage for adult workers, taking into account the Dominion's general economic condition and the cost of living; a man's wage will be “such as to enable him to maintain a wife and two children at a standard of comfort to which it is considered they are entitled”. There is to be absolute preference for unionists in all industries governed by awards; and union organisers are to have the right to interview men during working hours. The constitution of the Court is to be unchanged, but the Minister intends to set up a new court of similar constitution to relieve it of compensation cases.

III. REGULATED AND GUARANTEED PRICES

NEW industrial legislation is part of a fairly general movement to re-plan society by government action. Individual Ministers have urged that in view of the state of world markets for primary produce the only solution for New Zealand's problems lies in the planning of production with an eye to the markets available and in the expansion of “secondary” industries. Mr. Sullivan, Minister of Industries and Commerce, adds that such expansion can

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be achieved economically only if industries are thoroughly efficient—and planned. However, national planning is far from being practical politics at present; the concern is rather to settle day-to-day problems. In so far as any general principle emerges from the handling of such problems it is stabilisation through price-fixing. This, it is claimed, benefits the employer by eliminating “cut-throat competition”; and accordingly he can be induced to pay higher wages to his workers.

Practical examples of the Government's policy were provided in February. Existing legislation gave the Government power to regulate the wheat, flour, and baking industries; and this power had been partially exercised during recent years, though the prices of flour and bread have been unregulated. On February 9 the Government announced a scheme of fixed prices running right through the three industries. The average price for Tuscan wheat, March delivery, is to be 4s. 9d per bushel, f.o.b.—an increase of 1½d per bushel on 1935 prices. In addition, the North Island rebate is abolished, which means (on the average) an additional 2½d per bushel for the grower. The price of flour at the four main centres is fixed at £13 8s. 7d net; and in those centres the price of the 2-lb. loaf is to be 5d. In the provinces the prices of flour and of bread are to be increased where necessary to cover transport costs. The market is to be protected by an embargo on the importation of overseas flour and wheat; and increased wages are to be paid throughout the industry. The scheme is to be administered by a reconstituted Wheat Committee whose members are drawn from the three industries—farming, milling, and baking—and whose chairman is the Minister (Mr. Sullivan).

This plan produces higher prices to the farmers, higher wages, and (in many cases at least) lower prices for bread. In Wellington, for example, the retail price had been 5½d for the 2-lb. loaf. Broadly speaking, the scheme has been well received, though bakers have emphasised that their

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rate of profit will be cut almost to vanishing point. In particular small bakers complain that existing competition from big factories makes the fixed price unremunerative. Certain other problems have also been pointed out, and may prove important in the long run. For example, wheat is to be allotted to mills, as in the past, on the basis of their share of the market during recent years. But no provision is made for closing down inefficient or redundant mills. Indeed, one obvious effect of the scheme will be to save such mills from threatened elimination through healthy competition. Again, the embargo on overseas flour may seriously affect the quality of the loaf by preventing the importation of the small quantities of North American flour that have been blended with the local product. Finally, with respect to the wheat farmer, there is the danger that the fixed price for wheat may prove unduly attractive and lead to the production of more wheat than can be consumed locally—in which case the surplus might have to be sold at prices much below local levels. Alternatively, the fixed price may not be sufficiently attractive, in which case farmers may turn to other crops. This question will clearly turn on the level of guaranteed prices fixed for other primary products.

On February 13 the Government launched its second venture in price-fixing. It had long been notorious that there was price-cutting among Wellington petrol re-sellers. The wholesale price of standard grade petrol has been 1s. 7d per gallon and of "premium" grade 1s. 8d per gallon. Normal retail prices have been 1s. 10d per gallon and 1s. 11d per gallon respectively. But some retailers had undercut to the extent of 1d or even 2d per gallon. Accordingly the Government, using the powers provided by the Motor Spirits (Regulation of Prices) Act, 1933, announced that after February 14 retail prices for the two grades of petrol were *fixed* at 1s. 10d and 1s. 11d respectively, while the existing wholesale prices became *maximum* prices. At the same time the Government announced that

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the re-sellers had agreed to raise the wages and reduce the working hours of those employees whose conditions of work were not already governed by separate awards. The weekly wage of adult employees, for example, is raised from £3 15s. to £4 10s., and hours reduced from 50 to 44 a week. These arrangements—which applied to Wellington only—have been welcomed by petrol re-sellers, and there have been many requests for the extension of the scheme. The main criticism is that the scheme subsidises inefficiency by keeping in operation an uneconomically large number of distributing stations; and some consider that retail prices have been fixed too high—at the consumer's expense.

The fixing of prices of wheat, flour, bread, and petrol was in the main an internal problem; more serious difficulty obviously stood in the way of the Government's scheme of stabilised or guaranteed prices as applied to the great exporting industries. Labour's pre-election manifesto promised that "during the first year after taking office the Government will pay guaranteed prices for all primary production". At present the intention appears to be to confine the scheme during the first year to wheat (as outlined above) and to the dairy industry, which, it is said, is in most need of assistance at present, and which has proved its general efficiency by doubling its volume of production during the last few years. The Government has in fact announced that guaranteed prices will be paid in the dairy industry during the export season commencing on August 1 next. As to details, nothing has been officially published, and nothing has yet been laid before the caucus. Early in February a committee of experts was appointed to go into the matter. This committee was mainly composed of departmental officers; and it included two professional economists of excellent reputation. It is significant of the nebulous state of the matter that the committee, instead of at once working out a method of applying *the* guaranteed prices scheme, produced (after a month's work) several

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alternative schemes, sketched in outline. It was understood that the Minister of Finance would then choose one of the schemes and refer it back to the committee to be translated into concrete detail.

Meanwhile certain scraps of information have been made public. The Dairy Board's marketing scheme, which was to have been introduced on August 1,* has been suspended. The Government will assume ownership of all dairy produce, and make itself responsible for marketing. The produce will be bought at fixed prices f.o.b. in the main ports; that is, fixed prices will be paid for butter and cheese, not for butterfat as supplied by the farmer. There will be a special Dairy Industry Account (financed by the Reserve Bank) which will make good any deficiency arising from differences between buying and re-selling prices, and into which any surplus will be paid. As to the price to be paid for butter and cheese, no announcement has yet been made, but it will be based on the weighted average of prices actually paid to farmers for butterfat during "the past eight or ten years". To this will be added sums based on the average cost of manufacture and of transport to the main ports.

The Government is pledged to allow a New Zealand Dairy Conference to discuss the proposals fully before matters are finally determined. Meanwhile it has reached an agreement with the Farmers' Union regarding the wages to be paid in the dairy industry. It is said that these wages are to be on a sliding scale which will vary with fluctuations in guaranteed prices. They will, however, probably bring a substantial improvement of conditions to the workers, and be an instalment in the general policy of improving the lot of agricultural workers as a whole. Some such improvement will clearly be necessary to enable farmers to retain labour in face of competition from town employers and public works.

The success of a scheme of guaranteed prices in the

* See THE ROUND TABLE, No. 101, December 1935, p. 210.

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exporting industries will obviously depend largely on the state of overseas markets. Mr. Nash (now Minister of Finance) has long argued that the scheme could only work with stabilised (and perhaps extended) markets organised in a system of reciprocal trade agreements. Recently the opinion has been growing that such agreements should not be confined to Empire countries, but should be extended to "those foreign countries who are willing to trade with us on mutually satisfactory terms," * on the model of our successful trade agreement of 1933 with Belgium. During its short term of office the Government has achieved nothing positive in this direction beyond negotiating a continuance of the beef export agreement with Great Britain (which expired at the end of 1935). Mr. Savage, however, has spoken enthusiastically about the prospects of "doing better in Britain". He looks forward to early consultations with the British Government about the matter, and perhaps to the creation of some permanent Empire-wide consultative machine for handling trade problems. And there are hopes that the collapse of the Anglo-Danish negotiations may redound to New Zealand's benefit.

IV. FINANCE

IN the long run, overseas markets may decide the success or failure of Labour's scheme, but for the moment even more interest attaches to the question of finance. Labour's pre-election promise was to "assume control of public credit and establish a national credit authority whose duty it will be to provide a money service sufficient to give effect to the will of Parliament". It has never been made clear, however, whether this involved more than making the Reserve Bank a state institution. The intention to carry out this change was for long the only thing known definitely about the Government's financial policy.

* Mr. M. G. C. McCaul, President of the Wellington Chamber of Commerce, on March 10, 1936.

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A careful survey of the powers of the Reserve Bank, which was set up in 1934, showed them to be considerable; for example, it had undisputed control over currency and the exchange rate.* Nevertheless (as compared for example with the Bank of England) its influence was severely limited by its constitution, by existing financial conditions, and by lack of prestige. Thus, the Bank was legally barred from holding more than a limited amount of long-term government securities, or from advancing to the Government more than half its estimated revenue for the year. As to existing financial conditions the fact seems to be that the trading banks have at present such a plentiful supply of ready money that they could probably have ignored the Reserve Bank's credit policy—especially as the amount of their reserves that had to be deposited with the Reserve Bank could not be varied. Again, the Bank could not use two of the main instruments by which the Bank of England controls credit conditions: "open-market" operations in government stock, and control of a large short-term bill market. In New Zealand there is no such bill market. As to "open-market" operations, apart from limitations on the Bank's powers to hold long-term securities, the fact seems to be that in such a small and sensitive market as ours such operations by the Bank might have catastrophic results.

Finally, it must be remembered that the Bank of England exercises much of its influence through prestige, and through the customs of English banking. The Reserve Bank's prestige was comparatively low. It was a very new institution, and was viewed with some apprehension. Further, its authorities did little to educate us to understand and value the Bank. Indeed, public and shareholders were given little information as to its activities, policy, and importance. Mr. Lefeaux (the Governor) has been criticised for following

* Little has recently been heard of the pre-election promise to reduce the exchange premium on London, but on March 30 Mr. Savage said that there was no possibility of a reduction in the immediate future.

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“so closely the tradition of Mr. Montagu Norman in preserving a statuesque silence.” *

The Reserve Bank Amendment Bill, as actually explained to Parliament at the beginning of April, followed the expected lines. The private shareholders will be bought out at market values at the time of the election. Directors will in the future hold office during the pleasure of the Governor in Council; but there is no present intention of changing the directorate or administration, and the present Governor will remain in office.

The Government would inform the directors, or the Governor, of what it desired to do (said Mr. Nash), and if sound reasons were advanced why it should not be done, then it would not be done. If, on the other hand, the Government felt that what it asked could be done, then the directors would be asked to give their co-operation.

Mr. Nash added that “Mr. Lefeaux, although not favouring the principles of the Bill, had assisted in its drafting, and was prepared to co-operate with the Government in its administration.” † The “general function” of the Bank is stated in the Bill to be

to give effect as far as may be to the monetary policy of the Government, as communicated to it from time to time by the Minister of Finance.

To that end it is to have absolute control over currency, credit, and overseas exchange; and “power is taken to make regulations to enable the Bank to fulfil its functions”. Among other things the Bank will have power to decide whether or not to allow any individual to have access to sterling exchange, which will enable the Government (through the Bank) to regulate imports. For the rest, the Bill removes the limitation on the amount of government securities that the Bank may hold, and allows the Government to borrow on treasury bills up to the amount of its

* See *Economic Record*, December 1935.

† See reports of debate in the House in the *Wellington Dominion* and *Evening Post*, April 7 and 8.

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estimated revenue for the year. Power is given to the Bank to underwrite government loans, to lend money to the government or to statutory bodies concerned with marketing New Zealand produce, and to vary the amount of reserves which the trading banks must deposit with it. Finally, the trading banks are required to provide periodical statistics of overdrafts which have been authorised but not used. It is hoped that this provision will give the Reserve Bank prompt information as to the trading banks' credit policy.*

In short, the Bill greatly increases the Bank's power and places it effectually under government control. It remains to be seen what practical use will be made of the new powers—many of which the Minister says will simply be held in reserve. However, it is expected that the Bank will be used to finance the Government's plans and also to carry out a general policy of credit expansion. The suggested financing of government expenditure with treasury bills might have interesting consequences in New Zealand. In the immediate future it would tend to promote an expansion of bank credit; and in the long run it might help to build up a local market in short-term bills, and so provide a means by which the Reserve Bank could powerfully affect local credit conditions.

It should be added that in the opinion of many economists conditions in this country point to the desirability of adopting a policy of credit expansion. The doubt is whether the Government and Reserve Bank, once launched on that policy, could and would control it satisfactorily. Further, some political interest attaches to the details of the financial machinery adopted. The support of Douglas Credit sympathisers was an import-

* The Government used its large and disciplined majority to force the Bill through the House within a few days, in spite of Opposition protests and stonewalling (which led to 22 hours' continuous session). Opposition criticism was directed mainly against political control and the extent of powers taken: and it emphasised the possibility and danger of inflation.

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ant factor in securing Labour's return to power, and there are in the Cabinet and the party caucus a number of men convinced of the possibility and desirability of "costless credit". If the Government abandons this conception some trouble may be expected both in Parliament and outside. So far, it seems, the question has been tactfully smoothed over. But a suggestion of financial orthodoxy has already drawn the sharp rebuke: "If the Minister of Finance to the Labour Government cannot create money with a wave of the hand, he is evidently not the man for the job".

V. CHANGES IN ADMINISTRATION

A PART from its financial importance the amendment of the Reserve Bank Act will be a step towards the realisation of the Government's general policy—that all phases of the nation's life should be directly under the control of the people's representatives, organised in a re-vitalised Parliament. Private members (of the Government party) will no longer merely vote in favour of measures framed by their leaders. They are to be parcelled out as assistants to the various Ministers, and so gain practical knowledge of administration. Sharing of work carries with it sharing of salaries. All salaries (ministerial and otherwise) go into a pool from which each full-time working member of Parliament draws a share, Ministers' shares being slightly greater than those of private members. Critics point out that this plan may have unexpected constitutional results; but Labour insists that it is consistent with discipline and with ministerial responsibility—and is, in fact, "one of the most remarkable and inspiring developments in connection with the advent of the Labour Government".

The full team of energetic parliamentarians, it is felt, should have little need for experts and non-political boards to "do their thinking for them". It has been claimed that "New Zealand gave this Government an anti-board, anti-commission, and anti-committee mandate". There was,

CHANGES IN ADMINISTRATION

in fact, a fairly general feeling that in recent years responsibility had been unduly delegated, and that too much use had been made of boards whose members sometimes gave only part-time service and had wide private business interests. Certain Ministers—notably Mr. Semple—have expressed this point of view with such vigour that some have anticipated a clean sweep of boards and commissions of all kinds. It now appears that there is to be no wholesale slaughter. Most of the boards are to be retained, with or without important changes in constitution. Also, the Government is not averse to setting up new bodies to advise it, where this appears necessary. Notable examples are the Bureau of Industry (attached to the Ministry of Labour) and the various committees which have been working on finance, guaranteed prices, and so forth. However, it is clear that many important institutions are likely to have their independence severely limited, and the Unemployment Board, Transport Co-ordination Board, and the Railways Board are to be abolished altogether.

The arguments against politically guided railway policy are familiar. In addition, there is a general criticism, which has some force, against the Government's policy of direct ministerial control. In all departments there is a tendency for questions for decision to be taken direct to the Minister in charge. Such a practice, if carried to extremes, is open to serious objections. First, many problems arise which require judicial settlement; and the Minister, though an able debater and administrator, may not have a judicial mind. Secondly, the system throws on each Minister a staggering burden of work, and may lead to serious delays, even though Cabinet Ministers at present seem to be possessed by demons of energy. Fears are expressed, too, that they have undertaken so much detailed work that their control of broad policy may be impaired. Again, if the volume of work becomes too great Ministers will necessarily be guided largely by departmental officers. Consequently, the upshot of the Government's policy may be to transfer

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control of policy from boards, which are at least visible to Parliament and the public, into the hands of an anonymous and inaccessible civil service.

The Labour Government has repeatedly claimed that it commands greater popular support than any previous Administration. The accuracy of this claim is difficult to test. The public approves of the vigour and freshness of mind shown by the Cabinet, and on the whole has refrained from serious criticism. No doubt this is partly due to the fact that Labour's objectives are still expressed mainly in the form of social ideals which are in theory acceptable to all, and of measures stated in such broad outline as to be hard to criticise. We all desire social justice, a new and enlightened education policy, a nation-wide transport co-ordination scheme with justice to all, increased pensions, generous superannuation, and so forth ; but acute differences of opinion may be expected when the Government announces in further detail the particular steps by which it proposes to realise its objectives.

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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THE COMMONWEALTH AND THE LEAGUE

I. THE BREAKDOWN OF A COERCIVE LEAGUE

SINCE the last issue of *THE ROUND TABLE*, the sanctions imposed against Italy in order to force her to desist from her unprovoked aggression against Abyssinia have been withdrawn. Their withdrawal was supported by the British Government on the ground that, after the occupation of Addis Ababa and the flight of Hailé Selassié, the independence of Abyssinia could be re-established only by war, and that no member of the League was prepared to face a war in such a cause. This reasoning was accepted by practically all the members of the League, with the notable exceptions of South Africa and New Zealand, largely because risk of war in Africa involved risk of war in Europe and Asia as well, and because the German question had begun to loom even more menacingly than that of Italy. It is not clear whether South Africa and New Zealand were themselves prepared for war, or only for the indefinite prolongation of the economic sanctions against Italy, in the hope that eventually they might force her to come to terms.

This failure of the League to prevent or defeat the clearest possible case of unprovoked aggression, following upon its failure to prevent the conquest of Manchuria and to stop the war in the Chaco, has come as a grave shock to public opinion all over the civilised world. Many people had come to believe, especially after Sir Samuel Hoare's speech at Geneva last September, that in the League had been created an instrument that could give security against unprovoked aggression, could vindicate right as against might, and had therefore begun to create a rule of law in the

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world. The events of the last year seem to have shown that this opinion has been ill founded, that, despite the League, what counts in the world is force and not justice, and that to the strong, and not to those who have right on their side, belong the spoils.

Speaking broadly, there are to-day in Great Britain two schools of thought about the future of the League. One school says that there is nothing inherently wrong with the Covenant, except quite minor defects, and that our troubles are due solely to the want of resolution and will on the part of the members of the League in carrying out their obligations under the Covenant. The remedy advocated by this school is to strengthen and not weaken the Covenant, so that next time aggression occurs there will be instant and, as far as possible, universal action, including war if necessary, to forestall or stop it. Then, they hold, there will be peace and security for all. The other school says that the Covenant cannot be made to work under present-day conditions, in a world, that is, in which four of the great Powers are not members of the League, in which there is universal economic nationalism, and in which re-armament is in full swing; that to try to live up to the full obligations it imposes is to increase and not to lessen the risk of war; and that the only sound course is to eliminate the coercive clauses of the Covenant altogether, leaving the sovereign members of the League to make arrangements for their own security among themselves.

THE ROUND TABLE takes the view of the latter school. It has for years expressed the opinion that no league of sovereign States could discharge the functions laid upon the League in the Covenant, because its central foundation, the full national sovereignty of its members, makes it incapable of establishing the reign of law in the world. It cannot do so for three fundamental reasons. In the first place, a league of sovereign States cannot alter the treaty *status quo* by pacific means except with the consent of the

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States immediately concerned. In the second place, a league of sovereign States cannot check that economic nationalism which more than anything else has created unemployment and dictatorship since the war. In the third place, the instrument of coercion that a league of sovereign States must use in the last resort, whether to check an aggressor or to compel a change, is war. Economic sanctions may suffice against a small State confronted by unanimity among the big States. But, when applied against a great Power, either economic sanctions are ineffective, in which case the will of the League can be made to prevail only by war, or if they are effective they will produce military retaliation, which likewise means war unless the League members are prepared to back them by sufficient force to be irresistible. No reign of law can be established on such foundations.

These inherent limitations have been enormously aggravated by the fact that the world has turned out to be quite different from that contemplated by the framers of the Covenant. If, as Woodrow Wilson originally conceived it, the League had contained all nations and they had all been democratic, if they had all been willing both to accept free trade or low tariffs (and cancel war debts and reparations) and to disarm, the Covenant system might have worked, at any rate for a generation; for these things would have immensely lessened the tensions of the modern world. But the withdrawal of the United States, Japan, Brazil and Germany, insistence on the payment of reparations and war debts, the onset of unrestricted economic nationalism, and now universal rearmament, have transformed the conditions in which the Covenant was drawn up and to which it was intended to apply.

There was a moment last autumn when, owing to the fact that Italy not only was singularly vulnerable to economic sanctions but also was fighting her war against Abyssinia on the other side of the Suez Canal, the League could probably have vindicated its authority by convincing

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Mussolini that unless he accepted a reasonable compromise it would cut his communications with East Africa. But the fatal weakness inherent in the League system to-day prevented the grasping of such an opportunity. France was far more concerned about Germany than about Abyssinia. Her consent to economic sanctions was given on condition that no action should be taken that might lead to war, a condition agreed to with alacrity by Great Britain. Almost all the other Powers would have approved only if Great Britain had been prepared to carry all the serious risks. Unless Great Britain was, in effect, prepared to act alone, no decision could have been obtained for closing the entrance or the exit to the Suez Canal to Italian ships. Once Sir Samuel Hoare, therefore, had agreed with M. Laval that economic sanctions would not be pressed to the point of war, Mussolini knew that if he could conquer Abyssinia before the pressure of economic sanctions became acute he could certainly win, because the League members would not resort to war. The air service, poison gas, the impetuosity of the Rases and their disloyalty to Hailé Selassié did the rest. That exceptional chance of vindicating the authority of collective action was lost, and it is not likely to come again to the present League.

In order to think clearly about the future of the League, public opinion in Great Britain and in the Dominions and India has to face one preliminary question. It is not enough to criticise the French Government or to rail at the vacillations of the National Government in London, manifest and repeated as they have been. The question the public has to face is whether in the future it is prepared to go to war, automatically and universally, under Articles 10 and 16 of the Covenant. Until that issue is cleared up no progress can be made. There is no half-way house in this matter. It is now clear that to make these two articles of the Covenant effective involves readiness for war—police war. Without such readiness they constitute a dangerous provocation to war and a fatal inducement to

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a weaker Power to refrain from coming to terms with a stronger until it is too late. Only if the League members not only are ready to enforce Article 16 by war, but also have irresistible military power on their side, will that article be effective both in preventing aggression and in preventing war. What is fatal is for members of the League to go on accepting the obligations of Articles 10 and 16 on paper, while reserving doubts as to whether they will actually live up to them, and without having the armaments and the explicit understanding among themselves necessary to give irresistible preponderance to the League in any crisis that may arise. That is simply to make inevitable either another Manchurian or Abyssinian crisis, in which the victims of aggression will be let down, the members of the League will have to beat a humiliating retreat, and the aggressor will get everything he wants with impunity, or else a war for which the League members are not prepared and in which they may be defeated. What, for instance, would happen were the existing half-League to attempt by military sanctions to vindicate the Covenant against Italy and Japan at the same time, and, if she broke her bounds in Europe, against Germany too?

In our view the only honourable and wise course is for the nations of the British Commonwealth, at the September Assembly, to make it clear that they cannot, in a partial League, fulfil the obligations imposed upon them by Articles 10 and 16 of the Covenant. Not until they have freed themselves from an automatic and universal obligation to go to war everywhere (for that is what Articles 10 and 16 are now seen to imply) will they escape from the equivocal and dangerous position in which they now ambiguously stand. We express no opinion as to the technical method whereby this declaration should be made—whether by formal proposal to make Articles 10 and 16 permissive and not obligatory, or by some formal reservation such as has been used before, or by giving notice of withdrawal from the League in two years unless such

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amendment is made. That is a matter for experts to decide. What matters is the substance and not the form, and the substance is abandonment of a universal and automatic obligation which neither the nations of the Commonwealth nor any other single member of the League is ready or able to fulfil. Not until that is done is it possible to consider freely and sanely what the future of the League should be.

II. GERMANY REDIVIVUS

BEFORE considering the future of the League from the standpoint of theory let us look realistically at the world with which the League has to deal. The central fact is the re-emergence of that dynamic spirit of national sovereignty which the League left intact but whose operations the Covenant was intended to restrain. The world is in anarchy once more, and it is doubtful how much of the Wilsonian settlement can survive in an anarchical world. Economic nationalism has destroyed a large part of international trade, has created unemployment everywhere through tariffs, quotas, embargoes and exchange control, has caused an increasing interference by the government in the economic life of every country, and has led to the overthrow of democracy by dictatorship throughout a large part of the world. Accompanying this economic nationalism we see a revival of political nationalism in the form of the most tremendous competition in armaments the world has ever seen and a return to that aggressive imperialism which Article 22 of the Covenant was intended to end.

Two countries, Japan and Italy, have attempted to solve their internal problems by military expansion abroad. Japan at present is strained to the limit in her attempt to control and organise Manchuria and Northern China as an exclusive market and an imperial preserve. Mussolini may yet find that the colonisation and organisation of Abyssinia will put on Italy an almost intolerable strain. Nevertheless,

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while economists can make a good case for the view that all colonies are a liability rather than an asset to the countries who own them, the fact remains that these two nations have believed that imperial expansion is necessary to their future, and have carried it through by force. The logic of imperialism tends to drive them not to retreat but to seek further expansion until they reach a frontier they are not strong enough to cross. That frontier has not been established by the League, and interference with them by the League, either in Manchuria or Abyssinia, is not now likely.

So the Manchurian and the Abyssinian crises are receding into the background, and for the moment the world is preoccupied with another question—the question of Germany. If that could be solved there is no other issue at present above the horizon likely to produce war, except possibly the struggle between Russia and Japan in China. The Treaty of Versailles, in its territorial arrangements, was the best peace settlement Europe has ever known. There are minor blemishes in it, especially in regard to the Hungarian frontiers. But it is reasonably certain that frontier questions alone would not produce another general war. The trouble has arisen partly from the strains inherent in the increase of the number of national sovereignties in Europe from eighteen to twenty-six, and partly from discriminations imposed upon Germany on the theory that she was solely responsible for the war. These were, first, the imposition of a claim for impossible reparations payable over seventy years; second, the permanent and unilateral disarmament of Germany; third, the unilateral demilitarisation of the Rhineland, which gave France a permanent road of attack into Germany's most vital regions. When Woodrow Wilson recommended the Covenant of the League of Nations to the plenary session of the Peace Conference, he said that one of its first tasks would be to undo some of the injustices and extravagances inevitable in a peace made after four years of war and war-time

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propaganda. Unfortunately, for more than fifteen years it proved impossible to secure by agreement a revision of the fundamental discriminations against Germany.

The responsibility for this must be shared. An essential ingredient in the peace settlement was not only the League of Nations but also the Treaty of Guarantee, offered to France by the United States and Great Britain, against unprovoked aggression on the part of Germany. The refusal of the Senate to ratify either instrument deprived wounded France of one of her main elements of security. Great Britain hesitated, until January 1922, to offer the guarantee by herself, and she half withdrew from Europe. By this time France had decided to base her own security and the stability of Europe on a series of military alliances with Poland and the Little Entente, designed to maintain a military hegemony that would compel Germany to observe all the essential provisions of the Treaty of Versailles. And later, under M. Poincaré, she invaded the Ruhr—in British opinion in contravention of the Treaty—in order to compel payment of reparations and to forestall the possibility of evasion. It was on the rock of France's determination to enforce the fundamental discriminations of the Versailles settlement until some alternative security for Europe had been created—a security that neither the United States nor Great Britain was prepared to supply—that the disarmament conference and attempts to revise the Treaty in Germany's favour have been wrecked. Some minor revisions have been made—for instance, the Rhineland was evacuated by foreign troops before the appointed date, and the Saar was returned to Germany under League auspices. And for a time there was a relaxation of tension during the Locarno régime of Stresemann, Briand and Chamberlain. But the Locarno Treaty, whereby Great Britain and Italy guaranteed Germany against attack by France, still perpetuated the unilateral demilitarisation of the back door into Germany's vital industrial regions imposed by the Treaty of Versailles. The reparations

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illusion was pursued until it vanished in the great depression in 1931 and 1932, after payment had been made possible for six years largely by American and British loans to Germany.

Ever since the armistice there have been parties in Germany that have been determined to extricate their country from the fetters thus riveted upon her, and have believed that it would be accomplished only by strength and not by agreement. They remembered the recovery of Germany after the Napoleonic defeats and sought to repeat the recovery. The head and front of that movement was the National Socialist party. For a time the party made little headway. But the inability of the victors to make concessions to the German republic in time, coupled with the catastrophic effects in Germany itself, first of the invasion of the Ruhr and the inflation that followed, and later of the great depression of 1929, finally swept it into power in 1933. For a time Hitler offered terms—about re-armament. They were refused by France on the ground that she could agree to no revision of the Treaty of Versailles until she had been given security, and this security a largely disarmed Great Britain was unable to give. When, in October 1933, a further four years' delay was proposed before any real step towards German "equality" in armaments, recognised in principle in December 1932, could be conceded, Hitler left both the disarmament conference and the League of Nations and began to re-arm in earnest. In April 1935 he tore up the unilateral disarmament provisions of the Treaty by re-introducing conscription and by this means raising 35 divisions. A year later, when, despite his protests, the Chamber of Deputies approved the Franco-Russian treaty of military assistance, under which France and Russia could take military action without waiting for the verdict of the Council of the League on the merits of the dispute, he re-entered the Rhineland and began to restore its fortifications. In July last, influenced no doubt by the isolation of Italy and her increasing preoccupation with Abyssinia,

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he made an arrangement with Austria, in which Mussolini acquiesced, which is generally regarded as the first step towards the Anschluss; and Herr Greiser, the Nazi leader in Danzig, took a defiant stand at Geneva which may be the prelude to the ending of League control over the Free City. Finally, the German Colonial Society has been taken over by the National Socialist party, and an official demand for the restoration of Germany's colonies is said to be planned to be launched in the autumn.

So far Hitler has done little more than resume for Germany the essential rights of equality that are accorded to all sovereign States, though he has done so by unilateral breach of treaties, backed by the growing power of an armed Germany, because, as he has said, he could get equality, eighteen years after the Armistice, in no other way. But what of the future? That is the question that is absorbing all Europe and indeed the world to-day. Having taken back full equality in Europe by Germany's armed strength, will Hitler become a good European and make an agreement for that all-round limitation of armaments without which Europe is bound eventually to explode in revolution or war, and settle down to solve at the conference table the economic problems that beset all countries? Or, having recovered strength and position, will he now try to reverse the verdict of the war, and by the pressure of *Macht Politik*, by alliances, in the last resort by war, under the guise of thrusting the Slav and Bolshevik menace back into Asia, attempt to establish a hegemony over all Europe, as the stepping stone to world power?

Both these views are held in Europe to-day. There are those who say that the victory of National Socialism was, in essence, the victory of fascist gangsterdom not only over the republic but also over the moderate forces in Germany, that National Socialism is a religion of racial ascendancy and force, destructive of Christianity, liberalism, democracy, and individual freedom, that its essential nature is shown in its ruthless persecution of the Jews, socialists

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and pacifists and in its restless and tremendous expansion of armaments. In the view of those who hold to this interpretation, Nazi policy really seeks the hegemony of Europe, by *Macht Politik* if possible, by war if necessary. They declare that Germany's policy will be governed purely by considerations of force, that every concession will be regarded as weakness, and that in the end her neighbours will have to fight if they are not to lose their independence.

There are also those who say that fundamentally National Socialism is a movement for national discipline and regeneration, inevitable after the defeatism, the moral degeneration, and the internal divisions, left over by defeat in the Great War, the Ruhr inflation and the great depression. They say that, despite all its violence and ruthlessness, National Socialism has given to Germany unity, order, peace and equality with her neighbours. The price, in loss of liberty and in internal repression, has been high, but, they say, once equality and strength have been recovered, and if Germany can see a clear way to internal prosperity and to influence in the outside world commensurate with her natural status, the moderate forces that have given their loyalty to the régime so long as it was fighting for Germany's essential rights will re-assert themselves as against the gangster element in National Socialism, and Germany will settle down to be a good neighbour and a good member of a remodelled League of Nations.

There is probably some truth in both these interpretations of modern Germany. But whatever view we may take of the past, two central facts stand out to-day. The first is that the era of special discrimination against Germany is at last over. The occupation of the Rhineland has gone. Part V of the Treaty of Versailles (the unilateral disarmament provision) has gone. The demilitarisation of the Rhineland has gone. The invitation by France, Belgium and Great Britain to Germany and Italy at the end of July to take part in a new Locarno Conference, without any reference to the past, marked the end of the long attempt

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to limit Germany by the unilateral discriminations of the Treaty of Versailles. Germany has full equality at last. The second fact is that Germany is now or is about to become the strongest military Power in Europe. Her natural talent for organisation and war, coupled with the dictatorship of the National Socialist régime, has resulted in the re-armament of Germany at a speed, and with a technical efficiency based on the centrally organised resources of a highly industrialised country and a disciplined people, that have surprised the world. Though the full nature of German re-armament is not known it is agreed among military experts that within a year Germany will be once more completely equipped for war, and that already, in certain arms, notably the air, she is and for some time will remain superior to any of her neighbours, except perhaps Russia.

The League, therefore, has to deal with a world in which Germany has become once more the most powerful military State in the world, and is outside the League; in which Japan, also armed to the teeth, is militarily dominant in the Far East and is encroaching on China without resistance from the outside world; in which Italy, while still a member of the League, armed to the teeth, is highly militarist in sentiment and is following policies diametrically opposed to the principles upon which the Covenant is based; and in which the United States and Brazil are also outside the League. Nor is the attitude of Russia very clear. She is steadily expanding into Outer Mongolia and Sinkiang in China, nominally as a counter step to the advance of Japan, while in Europe she is an ardent preacher of the slogan that peace is indivisible—which means, in effect, that all other Powers should enter into a military alliance to prevent the expansion of Germany by force.

But there is another aspect of the present world situation which it is impossible to ignore. There are those who think that more and more the nations are forming into three groups, communist, fascist and democratic. The militarist

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and expansionist nature of the fascist States has already been seen in the external adventures of Japan and Italy and in the plans of the extreme National Socialists in Germany. But Russia, while anxious for peace in order to develop her experiment in communist state capitalism, has not only expanded into China but has, moreover, in no way abandoned the thesis of world revolution—if only because there is, according to Marxist dialectic, an irrepressible conflict between fascism and communism, and Russia must help the world revolution elsewhere in order to save herself from attack. China is being more and more compelled to choose fascist Japan or communist Russia, and Russia's immediate policy in Europe is to keep alive the discord between France and Germany as the best method of preventing a German attack upon herself. The civil war in Spain, and the manifest anxiety all over Europe lest the republic should disappear and Spain go over either to fascism or communism, confirms the view that the tension between communism and fascism is becoming a growing factor internationally as it already is internally. If this continues, the issue before the democracies may well be whether they will be drawn into the worldwide quarrel between communism and fascism, or will consolidate in a group concerned rather to preserve their own freedom and institutions than to try to keep the peace all over the world.

III. A LEAGUE OF PEACE

IT is in the light of these facts and not of League theory alone that we have to consider the future of the League of Nations. The Covenant must be able to deal with the world as it is. We cannot, unfortunately, remodel the world so as to make it fit the Covenant. It is surely obvious that quite apart from theory the universal and automatic obligations of Articles 10 and 16 are impossible of fulfilment in fact. The League of Nations, as a system of universal security against aggression under the Covenant,

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has long disappeared. "Collective security" to-day has come to mean no more than a proposal for military alliances to prevent any alteration of the *status quo* in Europe by force. In point of fact it has never been the League that has given stability to Europe. The stability of Europe from 1920 to 1935 was based on the military alliances between France and her eastern European allies, while the security of the British Empire and the United States has rested primarily on their own navies. None of these Powers has ever really relied upon the Covenant for its own security.

But if the League is unable to give universal security against aggression in the world as it is to-day, neither can it make those larger alterations in the *status quo* that are essential to lasting peace. Whatever we may think of the merits or demerits of the settlement made in 1918, it is quite certain that it cannot last for ever. But no machinery yet exists under the Covenant whereby alterations in the *status quo* can be brought about when any of the nations affected object to the change. It is wrong to put automatic coercion behind Articles 10 and 16 unless there is also coercion behind Article 19. No one has yet found a satisfactory method of doing this.

The notion that peace can be ensured if all nations accept the principle that an attack on one is an attack on all breaks down in practice. Once we begin to think of sanctions not in economic but in military terms the problem fundamentally changes. All nations are needed to make economic sanctions effective, and speed is not the essence of the case. But if war is in question the small nations become liabilities rather than assets, and the great military Powers of the League will have to be equipped and organised to move, in the air and otherwise, as quickly as the aggressor States. Sovereign nations are clearly not prepared to accept the supreme risk of modern war unless, in some obvious way, their own national interests are involved. That has been proved by the withdrawal of the United States through her

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unwillingness to assume any liability for war at all. And it has been proved again in the Abyssinian as in the Manchurian case, when it became absolutely clear that while many nations were willing to apply economic sanctions no nation was prepared to go to war or to accept the risks of police war for the Covenant.

The plain truth is that both from the standpoint of political theory and from the standpoint of the facts with which the League has to deal the Covenant as a system of universal security has definitely broken down.

Does this mean that the League must be abandoned altogether? Certainly not. We have expected the League to do things which it is impossible for a league of sovereign States to do. But the League idea has come to stay, if only because in this era of contracting time and space so universal a focus of action and opinion is increasingly necessary. But it is too early to endow it with the functions of government. It will be able to exercise those functions only when its members are prepared to surrender to it some of their own sovereignty. In our view it is essential, until the League once more becomes universal in membership, and until some degree of federation is possible, that the coercive functions of the League should be abandoned. The coercive functions cannot be made to work in a world of sovereign States. Defence and war are functions of the sovereign State and so long as States are sovereign they alone can assume responsibility for these functions. It should be the duty of the League to be a peace-maker, not a war-maker, to be the universal arbitral authority to which disputes must be referred for consideration and advice. It has already a great and praiseworthy record in this field. It is essential that there should be an organism in a position to go on working for peace even if some of its members are at war among themselves. And it is only by abandoning its attempt to act as what General Smuts has called an international war office that there is any chance of getting all nations once more to sit at the Geneva

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round table, and thus of giving to the League the authority as a peace maker that universality alone can create.

IV. A BRITISH MONROE DOCTRINE

WE are, however, still left with the problem of security. If we abandon the idea that security can be given by the League, and agree that a league of sovereign States ought not to attempt to give it, what is the best practical alternative—recognising that until a federation of nations of some kind is in sight there is no way of ending war upon earth?

Let us look at the problem from an entirely different angle. The Monroe doctrine has given to the nations of North and South America the opportunity to develop on their own lines, in freedom, for 110 years. That is so because every European and Asiatic nation knows that to intervene on the American continents would involve them in hostilities with the United States. It is perfectly true that until the United States assumed naval parity with Great Britain after the war the Monroe Doctrine depended just as much on its acceptance by Great Britain as upon the power of the United States. None the less the doctrine has given peace and freedom to a large part of the globe for more than a century.

The modern British Commonwealth, for many years now, has been, in effect, another Monroe system. Self-government is steadily increasing in every part. Individual liberty is still secure. "Free institutions are its life-blood." Yet the security and the opportunity for free development of its many peoples have also depended, in the main, on the knowledge that intervention in its affairs would involve war and that the British navy was strong enough to give it security. Together, the Monroe system and the British system assure liberty and democracy to more than half the globe and to a third of the population of the earth. Our first and most vital function is to ensure that these two

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systems remain intact and are strong enough to defend themselves. That done—and only when it is done—can we decide what additional responsibility we can undertake for the defence of freedom and peace in Europe and Asia.

If universal peace is out of reach until the nations, or some of them, are prepared to federate, what are we prepared to go to war for? It is quite clear that every nation in the Empire is prepared to go to war to defend itself. We believe that, on reflection, they will also be prepared to act together in defending the territorial integrity of the British Commonwealth if it is attacked. We believe this, not merely because we think there is enough community of sentiment to produce this result if its existence were at stake, but also because, if the Commonwealth were attacked, it would be by one or more of the powerful dictatorships, and if that dictatorship were to succeed the security of every part of the Commonwealth, except Canada, would be in grave danger, and the British system based on free institutions would be replaced by something based on dictatorship and force. It is difficult to conceive what the world would be like if the naval bases all over the world, now in British hands, were in possession of some dictatorial Power.

But what about Europe, the central tinderbox of the world to-day? There, as we see it, our commitments must be limited by our strength. It is a vital interest of Great Britain, as it is of liberty, that the integrity of France and Belgium and Holland should be fully maintained, as it is of theirs that the integrity of Great Britain should be maintained. If that is so, we think that Great Britain should be willing to maintain the Locarno obligation to France and Belgium, on a reciprocal basis, but to undertake no automatic obligation arising out of France's treaties with Russia or other eastern European Powers. The mutual obligation is simply a declaration that unprovoked aggression westwards by Germany will meet the united resistance of all those countries, as a deterrent to such aggression. Whether

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the Dominions in the new circumstances should counter-sign such an arrangement is for them to consider. It will depend on whether they believe that the more strength that is mobilised behind the stability of western Europe and the security of Great Britain the less likely are they to be attacked.

But what of eastern Europe and the Far East? There, as we see it, Great Britain and the Dominions can do no more than keep a free hand, leaving their policy to be determined in the light of circumstances, and stability to be created by specific arrangements between the Powers of those regions themselves. How dangerous the position has been can be seen from the fact that during the Abyssinian crisis almost the whole of the British fleet was concentrated in the Mediterranean and the Red Sea and could only have been moved to defend the shores of the British Isles or India or Australia at the cost of leaving Egypt and the Suez Canal at the mercy of Italy. It is simply not possible for us to undertake to guarantee security to foreign Powers in eastern Europe or the Far East unless we increase our armaments immensely beyond their present limit. The tiny expeditionary force that Great Britain could contribute in a continental war—two or three divisions—would be of little effect amid the 1,300,000 soldiers of Russia, the 35 first-line divisions and the 35 reserve divisions of Germany, and the immense and increasing armaments of the other European Powers. Our voice is still backed by power outside Europe. But in Europe itself, save for Locarno, the nations of the continent must make their own primary security arrangements for themselves, and we must keep a free hand—to intervene or not to intervene as circumstances may require.

But there are two further issues that the British Commonwealth has to face. First, if the evolution of eastern Europe is primarily a matter for Europe itself to determine, what about the economic and the colonial questions? These can be raised before the League at any time and

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Germany may raise them independently. What attitude are we to assume? The easiest approach to world appeasement probably lies in the economic sphere. It is not a problem that concerns Germany alone or Italy or Japan. It is one that in greater or less degree affects all nations. The present situation, in which the barriers to international trade are still, in many countries, prohibitive, in which currencies have no stable relation to one another, and in which more and more nations are easing their internal unemployment problems by an unbridled expansion of armaments, is one that must result in revolution or war unless it can be remedied in time. The first step is to try to relate a limitation of expenditure in armaments to increased facilities for trade; for without some political relaxation economic agreement will be difficult. We hope that this economic method of removing the causes of war, rather than renewed concentration on sanctions, will occupy the first place in the forthcoming discussions at Geneva.

In the background lie the colonial aspirations of Germany. How far can and should they be met? It is quite clear that they do not go to the root of Germany's economic problem. But political feeling seldom corresponds with the teachings of economists. The colonial question is likely increasingly to figure among Germany's desiderata. What are we to reply? It is quite clear that there can be no question of Great Britain's acting alone, or of any mere restoration of the ex-German colonies. If there is a German colonial problem it is one that ought to be considered by the colonial Powers as a whole. The nature of the present régime in Germany makes it certain that there would be the strongest opposition to any transfer of any territory that has been under British control to Germany except on security that the conditions of Article 22 of the Covenant would be loyally observed, namely that the colonies should be administered in the spirit of trusteeship for the native population, that there should be no militarisation, that there should be equal facilities for

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the trade of all nations, and that autonomy should be the goal of policy.

There are many factors to be weighed, and Dominion opinion must be ascertained and taken into account. We will go no further now than to say that we accept the statement of Mr. Anthony Eden to the House of Commons on July 27, that

the question of any transfer of Mandated Territories would inevitably raise grave difficulties, moral, political and legal, of which His Majesty's Government must frankly say that they have been unable to find any solution.

The second issue is more urgent. Whatever the policy eventually adopted, whether the nations of the Commonwealth elect to stand by their obligations under Articles 10 and 16 of the Covenant, whether they confine their commitments to the Locarno guarantee to France and Belgium, whether they declare themselves willing to consider the colonial and economic question or whether they say that they are not, their policy, in the world as it is to-day, will have to be backed by force. Indeed, in a world of sovereign States the obligations we can assume are directly in proportion to our strength. What should be the standard of naval, air and military power of Great Britain? What contribution to the enforcement of the obligations of the Covenant or the defence of the Empire are the Dominions prepared to undertake? These are vital issues, and the policy to be formulated must depend on the decision that is taken about them. We suggest that it is imperative that an Imperial Conference, or rather perhaps an Imperial Cabinet, should assemble either in connection with the Assembly of the League or at least before next year's Coronation, to face these issues and to formulate an agreed policy about them for the Empire.

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I. SPAIN IN THE POWER COMPLEX

MANIFESTLY, the majority of Englishmen have yet to be weaned from the nineteenth-century illusion that "domestic" and "foreign" issues in the life of a State are dissociable. They were probably not unduly disturbed when they read on July 19 that a military revolt had broken out the previous day in Spain. It was just five months since an earlier "attempted army coup" in that notoriously turbulent country had slipped out of the front-page news in a couple of days. The present affair, it soon appeared, was far graver, but still—so the average Englishman probably hoped—only local in its import. The Spanish "salvation army", itself a familiar enough phenomenon, seemed only to be moving with the times when it proclaimed the purpose of saving the country from communism. More exceptional, and by this time disturbing, was a public appeal by the military rebels for outside intervention. In a remarkable interview published in the *News-Chronicle* of July 29, General Franco, a former Chief of Staff (who represented his country at our late King's funeral), declared :

No European Power can afford to let Spain go "Red" . . . Europe must see that Spain cannot be allowed to become a second communist Power in Europe, using her strategic position to disseminate "Red" propaganda in Morocco, Algeria, Tunis and even America. The Powers must see this. France must see it. . . .

What is more, the appeal for foreign support—which can scarcely have been addressed in good faith to the *l'ront Populaire* Government in France—had not apparently fallen

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upon deaf ears. On July 30 four acroplanes flying from Italy to Spanish Morocco, said to have been in company with more than a dozen others that completed their journey, were forced down in French territory, and were discovered by an official enquiry to have been, until July 20, Italian military machines. They were fully armed, and were manned by airmen who until lately were in the military service of the Italian State. Then, on August 3, the German "pocket battleship" *Deutschland* anchored at Ceuta, the Moroccan stronghold of the Spanish rebels, and the captain and officers were formally entertained by General Franco himself; there were similar incidents at Algeciras, Melilla and Seville, all rebel-held ports. The attitude of the German semi-official press lent colour to the rumour that arms and aeroplanes had been landed to reinforce the rebels, and that other supplies were on the way from Germany.* On the other side of the fence, it was reported that Russian trade unionists were subscribing a fund of a million pounds in aid of the Spanish Government. The source of the insurrectionaries' funds is not clear, but they appear to have been amply supplied with money and with foreign credit.

Meanwhile, the French Government was in a grave predicament. Its sympathies plainly lay with the Popular Front in Spain, on whose behalf, as the legitimate and recognised Government, it could claim the clear sanction of international law to intervene; and it was being violently urged to do so by its Left-wing supporters. But the fear of provoking a general European conflict (and, it was said, of offending Conservative opinion in Great Britain) persuaded M. Blum's Cabinet to maintain a posture of strict non-intervention, and to despatch to the other interested Governments an urgent appeal to do likewise—adding a warning, however, that pending an international agreement the French Government reserved full freedom of judgment

* The *Daily Telegraph* reported on August 13, from a source considered "absolutely trustworthy", that General Franco had 20 Junker transport aeroplanes and 5 German pursuit machines, as well as 7 Caproni aeroplanes of the type used by the Italians in Abyssinia.

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in response to the supply of arms to the insurgents. Although the appeal was openly rebuffed by no country, and was received with enthusiasm by many, including Great Britain, the delay under which the Italian and German Governments replied caused it to lose a good deal of its practical efficacy, and a cloud of mutual recrimination to poison the international atmosphere of Europe. The situation, as THE ROUND TABLE goes to press, is still distinctly uneasy.

The emergence of Spain as the focus of a major international quarrel is a remarkable fact, which can by no means be fully explained in terms of class war and social revolution. It is necessary to explore much more carefully the background of the revolt and its relation to the European complex. General Francisco Franco (brother of the flying ace, Ramon Franco) enjoyed in Spain a reputation for uncompromising patriotism, and his sterling service in Morocco since the pacification had won for him the title of the Spanish Lyautey. The late General Sanjurjo, too—coadjutor in this desperate enterprise—having acquired merit by his conduct of the later stages in the campaign against Abd-el-Krim, and established excellent relations with the authorities in French Morocco, had apparently run true to type by resting on his laurels and performing patriotic service at home. In 1931, it may be recalled, he was head of the Civil Guard, and it was his admission that the men would no longer defend the Bourbon régime that turned the scales in favour of the republic. That, subsequently—in August 1932—he should have had a little lapse and sponsored a typical military junta's revolt in the name of law and order was only to be expected from a political General. There was no suspicion of any help by a foreign Power. If, then, to-day both these high-principled Generals are convicted of angling for the intervention of the Italian and German Governments, it is obvious that circumstances have substantially changed.

General Franco may or may not have approached Signor

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Mussolini with an offer to cede Ceuta, the main strategic point of Spanish Morocco, and Minorca, the Balearic naval base, in return for material and diplomatic assistance against the popularly elected but floundering Spanish Government: the rumour that Señor Jose Antonio Primo de Rivera, son of the former dictator, was the author of this particular suggestion is more plausible. The General certainly seems to have relied on obtaining up-to-date types of aircraft and war material from the Italians. Moreover, for some time General Sanjurjo had been known to be indulging in fervent admiration for Herr Hitler and his régime, and also collecting in Germany the sinews of war for the Spanish Right exiles who have been waiting patiently for their chance in the sanctuary of near-fascist Portugal. What touched off the fuse in the Peninsula, then, was perhaps not so much the spark from political passions culminating in the murder of Señor Calvo Sotelo as the state of the European tinder following upon Signor Mussolini's victory over the League.

In the power-constellation, which sixteen years' shadow-play at Geneva has failed so signally to affect, Spain occupies a unique position. Her abdication from the world stage, as a consequence of internal weakness, has been a comparatively smooth and a gradual process, contrasting with the trail of wars and "problems" left by the disappearance of other Empires. Setting aside the clash of the invincible Armada with the developing sea power of Britain, one might trace the line from the surrender of Gibraltar to the loss of her last dependencies in America in 1898. That the barrier to international involvement has been not so much the Pyrenees as the British fleet is now sufficiently manifest. The way in which the Spanish nation has philosophically accepted its fate as second fiddle in the Mediterranean orchestra is admirably described in Señor Madariaga's book on *Spain* in the Modern World series. The mood, he says, was one of

deep consciousness of the fact that the two nations, France and Britain, which, together, controlled and separately paralysed all

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Spanish action were, at the same time, her natural adversaries and her best customers as well as the two peoples most stimulating to her life and culture. . . .

Still more eloquent were the accents of Angel Ganivet, one of the chief formative influences of modern Spain, who mused, writing in 1896 :

There is no humiliation or dishonour in the recognition of the adversary's superiority : it is more than obvious that England exerts supremacy over the seas of the world ; few nations have been free from her abuse of power favoured by disunion in the Continent. . . . Facts of force, such as the occupation of Gibraltar, are not without practical utility, for they act as regulators of national energies and prevent over-confident people from shouting too loudly. . . . Amongst all the nations of Europe Spain is, after Italy (*sic*), the nation most interested in the preservation of the naval supremacy of Great Britain for a long time to come. We are in this case very much as that ruined gentleman who on no account would part with an old steward of his, not particularly honest. " Not for any love that I may feel for you ", said the poor man, " but because I fear that your successor will leave me a beggar. . . . " Gibraltar is a permanent offence which we in part deserve for our lack of good government. . . .

Now, obviously, this mood of resignation was not constant ; nor were all classes equally imbued with it. During the world war, as is common knowledge, the governing class and the intelligentsia split into two camps, with the conservatives, speaking generally, on the side of the central Powers and the liberals supporting the Allies and the cause of democracy. Neutrality, however, was clearly the only prudent course, galling though it must have been to those Spaniards who retained a lively sense of Spain's importance as a Mediterranean Power. Army officers, in particular, were predominantly Germanophile, partly from an affinity of caste and training with the Prussian military aristocracy, partly from a natural desire that their profession should have better opportunities for honour and glory than could be expected from emergency and unpopular police work at home. The inclusion of Spain in the Great Power negotiations concerning Morocco had been to some extent a balm, and the treaty of November 27,

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1912, which deputed Spain to organise the policing service throughout the zones, meant a certain amount of employment for her surplus officers. So long as Great Britain was the paramount Power in the Mediterranean there was no danger of "over-confident people shouting too loudly" and involving the country in European entanglements.

With the establishment of the League of Nations, Spain's course seemed to be still more definitely set. By her geographical position she was precluded from pursuing the will-o'-the-wisp of "neutrality" in the pre-League sense. Señor Barcia, the Foreign Minister, took it upon himself during the London conversations last March to affirm * that "as things are to-day, in the international juridical order established by the Covenant, there is no possibility of any of us members of the League being considered as neutrals". Spain's own Right-wing politicians, moreover, saw in membership of the League a better assurance of "no entanglements"—which was the meaning they gave to the term neutrality—than the *obligato* alternative of formal alliances with France and Great Britain, which must otherwise have followed from Spain's strategic position. (The exception that proves the rule was, of course, the untoward temporary withdrawal from Geneva in 1926 and the nationalist claim to Tangier, by reason of some brainstorm that afflicted the genial but unaccountable soldier-dictator.) Thus it seemed that Spain could evince no other attitude than readiness for "collective security", and Señor Madañaga, the quasi-permanent delegate to Geneva, was on velvet. This happy state of having no foreign policy, however, was dependent on one fundamental condition—that Great Britain still remained undisputed master of the Mediterranean, and on one assumption—that there was a real League of Nations putting out of court old-style alliances.

Things have changed. Spain has now been swept once more into the vortex. For the vast majority of persons

* *Politica* (Madrid), March 24.

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on the Continent who give any thought to foreign affairs, the League of Nations has practically ceased to exist. Not only that; the conviction is widespread that, for all her hurried re-armament, Great Britain has lost her grip on the life-line of the Mediterranean and, because of the pacifism of British public opinion, can be bluffed indefinitely into acceptance of a very different power-pattern. This point of view was brought home to the present writer by a number of articles and news messages in *El Debate*, the Madrid Catholic Right-wing but not fascist newspaper, on the occasion of the last Assembly and Council meetings. In the first place, it was persistently reported that Mr. Eden had had several conversations with Señor Barcia preparatory to the negotiation in the autumn of a bilateral naval pact, with Spain as with other States, these pacts being linked up in time with the naval agreement of last March between the British Empire, France and the United States.* (The Foreign Office, it may be added, denies all knowledge of this.) The French Prime Minister, moreover, had specifically mentioned Spain twice in his speech to the Assembly, as one of the countries coming within the scope of the regional agreements to buttress Article 16, which are the new French rendering of the text of collective security. The conclusion was—could only be—that Spain must become fully conscious of her importance as a Mediterranean Power. Like Turkey at the other end of the Middle Sea, she had once again been swept by the currents of history into a key-position in the balance of forces centring upon the Straits.

Thus, whereas on June 24 the leader-writer, accepting the traditional context, had simply argued that in any negotiations with Paris the Spanish Foreign Minister had a rare opportunity of securing a satisfactory settlement of sundry boundary and economic questions in Morocco—a slate-cleaning operation on the lines of the Franco-British agreement of 1904 or the Franco-Italian deal of 1935—in later

* See THE ROUND TABLE, No. 103, June 1936, pp. 518 *et seq.*

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articles *after* the Geneva sessions he was insisting that the artificers of Spanish foreign policy must weigh the considerations very carefully before deciding on which side, Great Britain's or Italy's, to throw Spain's power. There was more than a hint, too, that for Spain to be alliance-worthy—a phraseology suspiciously resembling that affected by Germany's spokesmen early this year—she must have a strong government and an efficient reorganisation of the armed forces. (A trivial but none the less significant example of the prevailing Germanophile tendencies—or the power of German money and propaganda—was the manner in which the Spanish press dealt with the crisis last March following upon the German Government's repudiation of Locarno.)

II. 'THE CLASS WAR MOTIF

THESE ideas, expressed *piano* in *El Debate*, have, of course, been a topic of conversation in Spanish Right-wing circles for a long time. The Popular Front Government, whose leaders are essentially good League of Nations men, has abstained from any comment on the Mediterranean balance of power; indeed, the pretext for dispensing with the services of Señor Madariaga, who had caused partisan resentment by continuing to work under the dubious directives of the Lerroix-Gil Robles period, was found in the charge that his memorandum of June 17 fell short of the purest Geneva orthodoxy. On the other hand, Señor Largo Caballero, the Left-wing socialist leader, interrogated while he was in London for the International Federation of Trade Unions Congress, boldly declared: "There are no neutral States any longer. It is the United Front of the democracies and Russia on one side, against the dictatorships of the Right."

It is not merely the facile use by newspaper reporters and political writers of the epithets "fascist" and "communist", but the actual new pattern of social and political conflict in Europe, that compels us to some extent to

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envisage the Spanish military rebellion in terms of the class war. This division of the nations along ideological lines is now by way of being accepted as a dogma on the Continent. It is only Englishmen under their island spell who reject the formula, not so much for itself as because they reject all formulæ. Unwittingly, too, M. Léon Blum encouraged the alliance of fascist States when he sought to justify the projects for regional application of "collective security" as "limiting military action to the Powers that are *nearest*, geographically or politically, to the State that is the victim of aggression."

Spain's Generals, therefore, had every excuse for imagining that Europe was back in a condition of unmitigated international anarchy and that at last the time had come for Spain to count as a decisive factor in the contest of alliances, to be a subject and not an object of foreign policy. The chance of provoking at the very least a re-assessment of Moroccan interests was tempting; and, even if the military rising were frustrated on the mainland, General Franco could demand a high price for desisting from his rebellious enterprise in Africa.

Where General Franco and his German-trained advisers seem to have gone wrong is in over-estimating the scare effect of communism. To the Foreign Office and the Quai d'Orsay the prospect of a "Red" Spain—*anglice* a Left-wing Government with a socialist programme—is not particularly alarming; it is infinitely preferable to the alternative of Italo-German-Spanish confabulation in the western Mediterranean. Incidentally the amount of British money-capital locked up in Spain is negligible: hence the comparatively calm attitude of the City towards the Spanish "civil war".*

* "There has been some *malaise* as a result of the appearance of a new source of international complication, but apart from this, London has not allowed itself to be unduly disturbed by the death and destruction now loose in Spain. This calmness is good sense. The sum total of British capital invested in the peninsula is small. . . ." *Financial News*, August 8.

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As a matter of fact, it is only incidentally and not essentially that the revolt of disaffected military elements comes to be bound up with the question of social revolution. The officers' insurrection takes on a far more dramatic colour if it is represented as the climax in a secular war of the haves and the have-nots. But then one would have to account for the relative indifference with which the possessing classes met the appeal to rally round and save "true Spain"—in General Franco's words—from the Marxists. Señor Lucia, for instance, a paladin of the C.E.D.A. (Confederation of Autonomous Rights)—his party is the *Derecha Regional Valenciana*—who was a Minister in one of the Right-Centre Governments in 1935, on the very first day of the revolt telegraphed his loyalty and support to the Government "above all political differences". Señor Gil Robles, the chief instrument of the Church and leader of the *Acción Popular* party, was on holiday in Biarritz and disclaimed all knowledge of the military junta's enterprise; later he was requested by the French Government to move on and betook himself to Lisbon, where no doubt he heard a good deal about it. Don Francisco Cambo, the Catalan millionaire business man, head of "Chade,"* was away on his yacht. Only in Navarre and the more benighted districts of the north-west did the population take up arms in the rebel cause with any enthusiasm, and there more in the spirit of the Carlist guerilla warfare "for God and Fatherland" than with any idea that they were fighting for fascism and against the socialisation of property.

Let us look more closely at the political setting. On account of the incorrigible sectarianism of Spaniards, the hopes of the Left-republican, non-socialist Government for the achievement of *convivencia* had been shattered. Acts of violence had been committed sporadically ever since the Azaña régime took office on February 20. That young hooligan fascist elements bear a large responsibility for the continuance of lawlessness cannot be gainsaid. On top of

* The great electricity undertaking.

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this characteristic exuberance—which had very much more to do with the Spanish temperament than the social revolution—came the incessant labour strikes, almost as free from violence, incidentally, as the strikes in France. Conditions were certainly dislocating for business, particularly in Catalonia; but to talk of the country's being plunged into anarchy and red ruin was preposterous. Then came the foul murder of Señor Calvo Sotelo on July 13, itself a requital for the killing of a lieutenant of the Shock Police, a man of known socialist sympathies, by armed fascist youths. The hapless Casares Quiroga Government could do no more than echo Señor Azaña's *cri de cœur* in his great speech of April 3—"it is high time Spaniards left off shooting one another"—and prolong the State of Alarm another month. In order that passions might cool, the President of the Cortes, Señor Martínez Barrios, took it upon himself to request that Parliament should be closed for a week; the period was subsequently extended to twenty days, and the Cortes has now been formally closed "till October". The Government, as a matter of fact, had as good as admitted the breakdown of constitutional rule when a few days before they had let it be known, to appease the popular clamour, that it would be much easier to proceed with the "republicanisation" of the army and the essential public services with Parliament out of the way.

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OF the need for beginning again the purging process that Señor Azaña had undertaken among the higher ranks of the army when he was Minister for War there is no question. The egregious Señor Lerroux, during his tenure of the premiership, had brought back into key posts many of the political Generals whose antecedents did not bear examination. Recent alarums had underlined the danger. There had been the frustrated plot for the setting up of a military dictatorship in the flurry immediately after

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the election of February 16, as a result of which General Franco, Chief of Staff in 1934-35, had been relegated to a command in the Canary Isles, and the doubtfully loyal General Goded posted to the Balearics. There had been the ominous exhibition of fascist sympathies among army officers on the occasion of the shooting in Madrid on April 16 at the funeral procession of a Civil Guard. And there had been the mutiny of two cavalry regiments at Alcala de Henares on May 18. Finally, under sustained pressure from socialist and communist elements of the Popular Front, Señor Casares Quiroga, then Minister for War as well as Prime Minister, had given orders for the removal from their posts of a number of senior officers in Spanish Morocco.

It was the army in Morocco—specifically the *tercios* of the Spanish Foreign Legion with their native troops—that had been called in to overwhelm the armed insurrection of the miners of Asturias in October 1934, when the army and police detachments on the mainland had shown themselves incapable of dealing with the situation. Its treatment of the insurgent workers was ruthless, and no doubt it was guilty of some “atrocities”—at any rate most Spaniards, after examining the evidence that became available, believed so. Consequently “the army in Morocco” had incurred the particular hostility of the socialists. They were represented as fascists of the deepest dye, whose extermination in the class war was only a matter of time. In remote Morocco they would in any case have failed to appreciate the extent of the swing to the Left that had brought the Popular Front régime into power. It so happened that, but for the murder of Señor Calvo Sotelo, the Cortes would have been investigating clamorously that very week “responsibilities” for the severe repression of the Asturias rising. The temptation for the army leaders involved to strike first must have been irresistible. It is affirmed by those in a position to know that Major Doval, “the butcher of Oviedo”, as he was styled on the Left, having got away safely to Cuba in

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February, was engaged in organising a military *coup* timed for next autumn. If, for various reasons, among them the international situation, General Franco and "the army in Morocco" decided to move two months early, they knew that military juntas in a number of garrison towns were prepared to stake their heads on a desperate gamble.

One can perfectly well understand the attitude of mind of the *Cuerpos Armados* ("army" is, of course, a term that unduly simplifies the issue). These officers of a professional caste that was manifestly a relic of the old monarchist State knew that their days were numbered. Though the armed forces, deprived of service in the foreign field, did formerly play an important and on the whole salutary rôle in the preservation of order and of the life of the State, they could expect scant consideration from a republic now fairly set on a revolutionary course.

It is impossible, when these lines are being written, to foresee the political outcome of this tremendous clash between the old Spain and the new. A victory for the military rebels would be but the temporary hardening of the crust over an active volcano. Too much blood has been spilt, too much has been said and done, for the proletariat—now irrevocably armed—to acquiesce in more than momentary subjugation. The armed state of the masses will provide almost as grave and dangerous a problem if the Government win the day; for arms are not easily withdrawn from an undisciplined citizen force, and the extremists of the Left have tasted too much power, one imagines, to be content to return to the rôle of propagandists and constitutional critics. Perhaps there will be a napoleonic reaction; at least it is certain that Spain will suffer many bloody months before an ordered and popular government once more rules the whole country. The rest of us, thanks to this unexpected summer lightning, have had a salutary though sickening glimpse into the abyss yawning before a Europe wedded still to the politics of power.

THE CHINESE TRIANGLE

From a Correspondent in China

ONCE more the changing East has claimed the notice of the world. But this time the news had an ominously familiar ring. China stood suddenly on the verge of civil war; for a moment there lowered the shades of the dark period of the nineteen twenties. Was the stage set for a fresh struggle for the revenues of the Yangtze? The northward march from Canton is a tradition in modern Chinese history: the events of last June brought back memories of July ten years ago—the same generals in command, the same line of advance.

But it soon became clear that the 1936 expedition was to be but a hollow repetition of 1926: it had to face something much more formidable than a shifting balance of rival war lords. The events of the summer were not a reversion to an earlier distressful period. The impulsive action of the south was a symptom, not of growing provincial autonomy, but of the increasing power of the central authority. It was a gesture of despair—ill conceived and ill fated: a test of strength that showed the extent to which Chiang Kai-shek has enlarged and stabilised his power. The southern provinces are no longer a menace to Nanking.

I. CANTON *versus* NANKING

FOR a brief moment in June, China's fate appeared to hang in the balance. The confident advance of the southern armies seemed to indicate an assurance of support from separatist tendencies in other provinces

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and a belief that Chiang Kai-shek would be unable effectively to oppose the challenge without jeopardising his position elsewhere. It was not long before this fallacy was exposed.

The armies of the two southern provinces (Kwangtung and Kwangsi), reorganised as "Revolutionary Anti-Japanese National Salvation Forces," advanced in converging columns on Hengchow, a strategic centre in Hunan province, and a key point on the newly completed railway between Canton and Hankow. The Canton leaders prefaced their advance with a national call to arms against Japan and an outburst of anti-Japanese propaganda. Next they accused Chiang Kai-shek of threatening them by concentrating troops on their provincial boundaries. Actually, when the Cantonese advance began, central government troops were widely dispersed. The south hoped by swift manœuvres to occupy Hengchow and to advance towards the Yangtze through Changsha before Nanking's divisions could reinforce the local Hunan forces. Further progress would be dictated by events. The southern leaders counted upon an initial success to undermine Chiang Kai-shek's position and to enable them to extract concessions both political and financial, if possible extending their administrative control over part of Hunan and securing a share in the revenues of the Canton-Hankow railway.

Chiang Kai-shek moved with speed and decision. He made no bones about the realities underlying Canton's intransigence. He denounced the south for instigating civil war. Meanwhile, he rushed his troops into Hunan from the adjacent provinces. Across the Yangtze from Hankow, down the railway, through Changsha, his divisions pressed southwards to meet the advancing columns.

His condemnation of the south received wide popular support. Canton's patriotism convinced no one: witness the apparent indifference of Japanese officials in Canton

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to demonstrations the like of which elsewhere in China are invariably visited with threats of dire and terrible retribution. Reports were circulated—they were unquestionably well-founded—that Japan had sold munitions and aircraft on long credits to the Kwangsi leaders and that a number of Japanese experts were actually stationed in Nanning, the provincial capital.

Having concentrated his troops, Chiang Kai-shek moved with great caution. Daily his position grew stronger. The north remained quiet: there were no diversions elsewhere. Soon dissensions appeared in the ranks of the southerners. Chiang Kai-shek concentrated his efforts upon an attempt to buy off Kwangtung and so isolate Kwangsi. When the Kwangsi troops reached striking distance of Hengchow, they found that their sister column from Kwangtung was lagging behind. Chen Chi-tang, the Kwangtung commander, ordered his troops to stay their advance. Everything seemed to have gone wrong; support from disaffected elements in other provinces had failed to materialise; Japan's attitude was equivocal; and Ho Chien, the governor of Hunan province, whose collaboration had been counted upon, seemed to be in Chiang Kai-shek's pocket.

Chiang Kai-shek himself, now in control of the military situation, began to show a more resolute attitude. The Kwangtung and Kwangsi columns turned in their tracks. Within a fortnight of embarking upon their northern expedition, they were back at their original "peace-time" positions on the provincial boundaries—digging themselves in against a threatened "invasion" from Chiang Kai-shek. The initiative so blithely taken by Canton now rested with the Nanking generalissimo.

Except in the suddenness of its appearance there was nothing surprising about the Canton crisis. It marked a phase of a situation that has varied only in degree ever since the central government was established at Nanking. Its roots were there even before the Nanking government

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came into being—when the “nationalist” armies marched out of south China in 1926.

The constructive side of the 1926 revolution was swept away when Chiang Kai-shek parted company with Borodin and the communists. Chinese history since that time has been the story of his struggle for personal ascendancy. In spite of many apparent reverses he has gradually strengthened his position against the elements opposing him. The communists, as a result of the dissolution of their stronghold in Kiangsi in 1934 and the successful campaigns of 1935, are no longer a serious danger. Re-surgent war lords and independent provincial satraps have succumbed one by one before the patience and skill of Chiang Kai-shek’s political manipulations. Disaffected sections of the Kuomintang party are slowly yielding before his dexterous handling of divisions within the party itself. But in spite of his growing ascendancy, he was still faced with the problem of the ambitions and jealous rivalry of some of the colleagues who set out with him from Canton in 1926—forceful men who felt that, by virtue of their abilities and achievement, it was they who had the greater right to exercise supreme power in the central government of China.

As soon as the Cantonese armies reached the Yangtze there began a struggle for power that has lasted ever since. When he left Canton as Commander-in-Chief of the “nationalist” armies, Chiang Kai-shek lost all position in south China. He has never shown his face there again. Canton became a permanent base of opposition, both from civilian Kuomintang members who found themselves unable to tolerate his personal methods of government in Nanking and from the military politicians of Kwangtung and Kwangsi who felt that they had been tricked out of their legitimate share in the spoils of the “nationalist” victory.

The relations between Canton and Nanking have passed through various phases; but they have remained fundamentally constant. In 1931, an independent government

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was formed in Canton. At the end of that year Chiang Kai-shek staged an astute political manœuvre by persuading the Cantonese to come to Nanking and form a government themselves. As a step towards unification, the independent government at Canton was replaced by political and administrative organs that were nominally local extensions of parent bodies in Nanking: the South-West Political Council and the South-West Executive Committee of the Kuomintang. The Nanking experiment was short-lived. In his voluntary retirement Chiang Kai-shek had retained personal control over the military and financial resources of the central government. His manœuvre split the ranks of the Cantonese politicians and facilitated a process of suborning them one by one with the fruits of office in Nanking.

Canton, however, maintained a status of quasi-independence, exercising an extensive degree of provincial autonomy through the so-called "branch" government organs established in 1931. During the past few years the provinces of Kwangtung and Kwangsi have enlarged and equipped their armed forces independently of the central government, creating armaments intended for use, if necessary, against Chiang Kai-shek.

By virtue of a complicated process of financial adjustment under which direct subsidies were paid to the southern provinces, national revenues collected by the Salt Administration and the Maritime Customs were remitted to the central government. In Canton, however, a separatist fiscal policy was followed in complete disregard of the interests of Nanking. Customs revenue was depleted through smuggling officially countenanced: prohibitive local import duties were imposed for the protection of uneconomic industrial enterprises based upon state monopolies.

The issue between Nanking and Canton finds a close parallel in the struggle between the monarchy and the great feudatories in fifteenth-century France. Separatism

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hinges upon the right to an independent judicature (there was a branch of the Chinese Supreme Court in Canton), the right to issue currency, the right to levy and collect taxes and to make administrative appointments. In south China official appointments were filled locally, although Nanking formally confirmed local nominees in certain posts.

In all these matters, during the past year, Chiang Kai-shek has gradually been exerting pressure upon the south.

Of the two elements of opposition to Chiang Kai-shek that have always found a base in Canton—disaffected civilian elements in the Kuomintang and ousted military colleagues of the 1926 expedition—the June crisis was instigated largely by the latter.

When the southern armies set out in 1926 they were led by a quorum of able and ambitious generals—among them Marshal Li Tsung-jen and General Pai Chung-hsi of Kwangsi. There was no precise plan concerning the positions that individual military leaders would occupy if the “nationalist” armies gained control over China. Chiang Kai-shek, no doubt realising that they were too capable and ambitious to make comfortable bed-fellows, watched the two Kwangsi generals from the beginning; the treatment they received at his hands finally drove them into bitter and resentful opposition. The quarrel reached a head in 1929, when they revolted against him. Since then they have had to content themselves with the control of their arid and remote province. Their administration has earned for Kwangsi the not unmerited title of “model province.” They are irreconcilables; their hatred of Chiang Kai-shek knows no bounds. That they should be a disintegrating force in China is somewhat of a tragedy in view of their strong characters and proved ability.

In the winter of 1931, Li Tsung-jen issued a pamphlet that throws light upon the historical background of the present situation.

Ever since my troops conquered Hopei and completed the Northern Expedition, Chiang Kai-shek harboured the design of

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destroying all not immediately under him. Under the pretext of disbandment, he secretly enlarged his own army with a view to usurping the authority belonging to the Kuomintang.

Chiang Kai-shek's justification depends upon the validity of the promise that personal dictatorship is the essential stabilising force in the chaos bequeathed to China by Sun Yat-sen's revolution.

Since 1931 the rich province of Kwangtung—of which Canton is the capital—has been under the control of Marshal Chen Chi-tang, a man without education or presence but a skilful “trimmer” who built up his position by striking a balance among a group of generals owing him somewhat uncertain allegiance. His native caution has led him during the past five years to restrict his ambitions to the cash profits obtainable from his own province: he had a tacit understanding with Chiang Kai-shek to this effect.

The return to China early this year of Hu Han-min, a veteran revolutionary leader and a leading light in the Kuomintang, was exploited by the southern generals in an attempt to revive Canton as a base of Kuomintang opposition to Chiang Kai-shek. Some people think it was their intention to use him as a figure-head in a southern secession movement, or at least to exploit his prestige in the Kuomintang party for strengthening those sections in it that are anxious to prevent Chiang Kai-shek's open assumption of dictatorship. The enlargement of Chiang Kai-shek's sphere of direct administrative control in Nanking has been accomplished at the expense of the Kuomintang political organs. This year he felt strong enough to arrange for the draft of China's new constitution—abolishing the trusteeship of the Kuomintang party and establishing a President with wide executive powers—to be placed before the People's Assembly that is to meet in November. In spite of his public disclaimer, it is believed by many that he intends to have himself elected as President. This is unlikely. But the corollary to the adoption of the constitution would be the abolition of the “branch” political and administrative

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organs through which Kwangtung and Kwangsi have hitherto combined to exercise their officially recognised functions of quasi-independence.

During the past couple of years, Chiang Kai-shek, by coming to the assistance of provincial authorities against "the communists," has greatly extended his influence. The provinces of Kiangsi, Hunan and Szechuan have come under his control. Last year he added Kweichow and Yunnan. Kwangtung and Kwangsi thus came face to face with Chiang Kai-shek—they were no longer separated from him by provinces of doubtful or tenuous allegiance. He used his new position in a manner scarcely conciliatory: the appointment of hostile generals in the provinces bordering Kwangtung was followed by a process of "economic strangulation." This policy was directed principally against Kwangsi, which suffered a crushing blow as a result of diversion of the Kweichow opium traffic. The opium used to enter Kwangtung through Kwangsi, yielding a material contribution to the provincial revenues from the duties levied in transit.

Kwangtung is now confronted with inevitable retribution as a result of the unsound economic and financial policy it has been pursuing for the past few years. Both provinces are facing the terrors of a rapidly depreciating currency. Last year they adopted Nanking's currency reform scheme only to the extent of calling in stocks of silver: this silver was retained by the southern authorities and the issue of provincial banknotes was greatly enlarged. No legal custodian was established for the currency reserves; the amount of these reserves and the number of notes issued are unknown. The breakdown of currency negotiations in May, on account of Canton's unwillingness to accept certain conditions implicit in Nanking's offer of assistance, may have been the final circumstance causing Chen Chi-tang to accept the advice of the Kwangsi leaders, who were urging a trial of strength. An indecisive man, he always consults a soothsayer before making up his mind, a practice that

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enables him to resolve problems in the direction towards which he temporarily leans; in this case he may have visited his oracle while still under the persuasive influence of Pai Chung-hsi.

In May, Hu Han-min died in Canton. Many believed that this would ease the situation. But it was the signal for revolt. Feeling, perhaps, that time was working to their disadvantage, and spurred to action by their financial predicament, the Kwangsi leaders persuaded Chen Chi-tang to risk a gambler's throw. Hu Han-min's "political will"—a last testament of exhortation, championing resistance against "Japanese aggression" and "the Nanking dictatorship"—was their platform.

II. CHIANG KAI-SHEK

THE attack failed. Within a space of two months the whole issue was settled; Chiang Kai-shek emerged with influence and prestige enlarged beyond the wildest dreams of his supporters, who in early June had viewed Canton's offensive with dismay bordering upon panic. The march of events was so rapid and at times so confusing that it is here possible only to give some slight indication of the main currents that shaped them.

At first attention was focused upon the relations between Kwangtung and Kwangsi. Chen Chi-tang had yielded against his better judgment in sending his generals on their northward march: from the moment when Kwangsi enticed him from his perch he struggled to climb back upon the fence that he had straddled successfully for five years. But it was too late. It would not have occurred to him to stand by his Kwangsi associates simply by reason of his engagements to them; but the independence of his own position rested upon the status of his neighbouring province.

With Chiang Kai-shek in control of Kwangsi, Kwangtung's independence would be doomed. The reverse was

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equally true. The two "Kwangs" must sink or swim together: to-day Kwangsi trembles in isolation with Chiang Kai-shek in control of Kwangtung. For after his initial attempt to exploit Canton's financial predicament in an endeavour to force Chen Chi-tang to desert Kwangsi, Chiang Kai-shek—perceiving the weaknesses exposed in Chen Chi-tang's control over his own forces—changed his tactics and concentrated upon breaking down the resistance of Kwangtung. By direct bribery—the sums expended totalling many millions of dollars—he set to work to buy over the Kwangtung generals. He was amazingly successful. The key man, General Yu Han-mon, commander of Chen Chi-tang's First Army, went over. Others followed him like rats leaving a sinking ship. Chiang Kai-shek overthrew Chen Chi-tang without moving a single company of his own troops into Kwangtung: in China, civil wars are often waged with "silver bullets"—a humane and time-honoured tradition. Yu Han-mon occupied Canton with a Cantonese army in the name of Nanking: Chen Chi-tang fled to Hongkong on a British gunboat: Li Tsung-jen and Pai Chung-hsi, outmanœuvred and outmatched, sued anxiously for terms.

In reviewing the completeness of Chiang Kai-shek's success, it is as well, for the sake of historical perspective, to record the considerations that led him to eschew the direct method of sending his own troops across the Kwei-chow border into Kwangsi—considerations that may still restrain him from pressing his advantage to its final and logical conclusion. Despite his superiority in men and resources over the combined southern provinces, it was clear that he would hesitate long and carefully before committing himself to a serious campaign in south China. Protracted fighting in the south would have been the signal for a political landslide in the north. A single reverse would have jeopardised his tenuous authority in North China and might well have precipitated the establishment of the "five province autonomy" project that was

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unsuccessfully attempted last year.* Moreover the expenses of a campaign—even of a prolonged concentration of central government troops in the south—would have imposed a severe strain upon Nanking's financial resources, already weakened by the payments to turncoat supporters of Chen Chi-tang. There might be repercussions in provinces from which troops had been withdrawn : even in June, after the concentration in Hunan, there were renewed bandit activities in northern Fukien, movements of communists in the north-west, ominous rumblings from Szechuan.

Added to this, there would always be the problem of the southern armies—how to control them and how to dispose of generals of doubtful loyalty. Cantonese troops will not submit to generals from other provinces : in spite of his success, Chiang Kai-shek could not seek to impose outsiders upon Kwangtung. He will use Yu Han-mon ; but he will endeavour, in tightening Nanking's financial and economic control over the south, to make it impossible for Yu Han-mon to become a second Chen Chi-tang. Gradually and patiently he will dispose of the Kwangtung armies : he will take steps to prevent the creation again of an independent military establishment in the south. While extending his administrative control over Canton he will not fill posts from Nanking : there will still be a fair measure of decentralisation. But the separatist executive and political organs will be abolished. There will be a unified currency control and a common fiscal policy ; from the customs and other sources of national revenue there will be larger remittances to Nanking.

Meanwhile, to the merchants and bankers of Canton the extension of Nanking's authority comes as a welcome dispensation. They were tired of the uncertainty, wearied of the burden of Chen Chi-tang's armaments and the taxation that was levied to supply them. Chen Chi-tang's régime had become increasingly unpopular : he has made a

* See THE ROUND TABLE, No. 102, March 1936, p. 291.

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huge personal fortune out of Kwangtung. Regarding the growth of Chiang Kai-shek's power, a change of attitude is discernable to-day among thinking Chinese. The direct exercise of administrative authority is foreign to Chinese character and tradition. But the reality of Chiang Kai-shek's dictatorship is coming to be accepted. The events of the summer have shown that the margin between order and chaos is narrow, and that, by creating a paramount military force, the Nanking generalissimo can give China what perhaps no other man could give her—a breathing space. The Canton débâcle marks an immense advance in his position; to-day he is stronger than he has ever been. The gain in south China compensates him for the loss of prestige, authority and revenue in the north.

How will he use his new position? It is by no means unlikely that instead of trying to re-establish Nanking's authority in North China he may now feel more disposed to make a working arrangement with Japan. He will no longer be assailed by the south; he will feel freer to negotiate. He knows that, in spite of their present restraint, the Japanese will one day force the issue in North China, and that, if he can establish some measure of collaboration in that area, he will be better able to pursue his cherished policy elsewhere. This policy, in its simplest terms, may be defined under the heads "unification" and "reconstruction", words with a wide popular appeal in China to-day.

III. JAPAN IN CHINA

THE Canton expedition was launched on the pretext of an attack upon Japan. But some believed that Japan was behind the movement and that under cover of it there would be extensive changes in North China. It is hard to discover the truth behind this complicated situation. It is clear that the sale of munitions on credit to Kwangsi

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was not a purely commercial operation: it is known, moreover, that the experts detailed from the Japanese army for this purpose incited the Kwangsi leaders in their hatred and fear of Chiang Kai-shek. The strengthening of Kwangsi against Nanking was almost certainly part of the general plan of the Japanese army, which—in close collaboration with the Foreign Office—is to-day the dominant directive force in shaping Japan's policy in China. Kwangsi could be used for putting pressure upon Chiang Kai-shek or as the nucleus of a political upheaval from which Japan might profit.

But in influencing forces and tendencies within China Japan cannot foretell or precisely control the exact course of events. The timing and actual form of the Canton crisis were not the direct outcome of Japanese intervention; the situation arose out of conditions already existing—to be exploited by Japan to the extent that opportunity and circumstances would permit. Probably, in deciding to act, Kwangsi had some grounds for counting upon Japanese assistance—the continued supply of arms and a diversion in North China to paralyse Nanking. But when the moment came the Japanese decided to wait upon events. By offering to withhold assistance from the south and to guarantee stability in the north, they might be able to purchase Chiang Kai-shek's co-operation in rounding off certain aspects of their policy in North China.

It would be unjust to condemn the Kwangsi leaders as cynical collaborators with Japan: they are by no means "pro-Japanese" in the same sense as many of the subordinates on whom Chiang Kai-shek relies. But their hatred of Chiang Kai-shek is fanatical. This is true especially of Pai Chung-hsi—the real force in south China—who was Chiang Kai-shek's Chief of Staff in the 1926 expedition. Kwangsi may have hoped to use the Japanese as the Russians were used in 1926—to discard them when their usefulness ceased. Ironically enough, it was they and not the Japanese who became the catspaw.

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Canton's anti-Japanese window dressing was recognised by Japan as inevitable, perhaps slightly embarrassing, but not serious. The demonstrations were artificial: the procession of "one hundred thousand people" in Canton mustered a bare six thousand, many of whom—humble coolies—were paid for their services. Later, when there were signs that—failing in their initial plans—the southern leaders might feel impelled to fortify their anti-Japanese platform (there was talk of a revival of the boycott) Japan's official protests became less formal. It was pointed out that incidents would not be tolerated. At Swatow—the seaport of Kwangtung and, after Canton, the chief commercial centre of the province—there was not the slightest overt indication of anti-Japonism. To the local authorities at all coastal and river ports Japan has made it clear that "unfriendliness" will be rewarded by direct action in the shape of armed landing parties or bombardment from warships. To-day the navy plays an effective and important rôle in the application of Japanese policy in China.

Recent events throw light upon two important aspects of the present political situation in the Far East—first, the part that Japan plays in Chinese internal politics, and second, the success of Japan's policy in suppressing anti-Japanese activities by the threat or employment of force, locally applied.

There is much talk of "armed resistance" to Japan—although the form and direction which this resistance is to take are seldom specified. Such talk fills the speaker with a glow of self-satisfaction and it impresses visitors from abroad who glibly repeat what they have heard and on the strength of it are rash enough to prophesy that the time is near when "China will fight Japan". Chiang Kai-shek, an astute realist, knows well enough what that would mean—an immediate blockade of the river and coastal ports of China, the disintegration of the Nanking government and its severance from the source of revenue

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(Shanghai) on which its continued existence depends. A most interesting feature of recent events is that the anti-Japanese slogan, used for their own purposes by the southern leaders, has met with so little response throughout China. Public feeling against civil war is the dominating undertone, and this Chiang Kai-shek has exploited to the utmost.

It is important to remember that the Japanese are deeply preoccupied with their problems in North China. These problems are intimately concerned with Russia. In fact to-day Japanese policy in North China and Japanese policy vis-à-vis Russia are one and indivisible. Japan's long-term objective in North China is strategic and economic control—economic control as part of the general policy for closer economic interdependence between China, Manchukuo and Japan: strategic control, on account of the fear of a Russo-Japanese war which lurks in the military mind.

At the present time the Japanese are engaged upon a most delicate stage in the application of their policy: they are endeavouring to establish a strategic frontier running east and west between the areas defined as Inner and Outer Mongolia—for the dual purpose of protecting their activities in China from outside interference and of completing their strategic defences against Russia. Early this year the political aspect of this process was reflected in the alliance between Outer Mongolia and the Soviet Union—followed closely by Inner Mongolia's declaration of independence under the guidance of Japanese advisers.

If Japan succeeds in peacefully concluding this phase of her policy, the western frontier of Manchukuo will be secure and Russia's strategic position will have been weakened: the threat of war with Russia will be appreciably diminished and the Japanese can then turn in earnest to the development of their policy in China. Their risk is that, in the process of accomplishing this dispensation, they may provoke Russia into war. Japan to-day has

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to face a much more formidable military rival than the Russia of five years ago. This factor is of vital importance in considering Japanese policy in China—it explains why at the present time Japan is not prepared to indulge in large-scale military operations within the Great Wall. This is a fundamental element in the present situation.

Despite superficial signs to the contrary, Japan is moving in China with extreme caution. The indirect method of control, through internal Chinese political forces, has its limitations. Sung Cheh-yuan, Japan's nominee in Peiping, knowing that he is in no immediate danger from direct military pressure, is by no means consistently responsive to Japanese demands. Uncertain of the permanence of Japanese support, he is amenable to the influence of Chiang Kai-shek. This is the measure of Chiang Kai-shek's control in North China. But if Nanking became seriously involved in the south, the delicate equilibrium would be upset and the northern provinces might seek a new alignment.

In order to gain their ends in North China the Japanese must exert pressure upon Nanking: there are certain concessions that the northerners will not grant without Chiang Kai-shek's authorisation. Owing to Nanking's strength Japan has not been able to turn the Canton crisis to practical account. The progress of Japanese policy in North China is still slow and difficult. Japan's demands centre on freedom to move and station troops, to build railways in co-ordination with the strategic network in Manchukuo, and to control the development of North China's economic resources.

The smuggling situation arose out of the peculiar frontier relations between North China and Manchukuo; but it was exploited by the Japanese army as part of their general policy of weakening Nanking's resistance to pressure for political concessions and in order to retain funds in North China for the support of the "independent"

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East Hopei régime (an extensive strip of territory within the Great Wall), which is in process of being closely affiliated with Manchukuo. It may also be used as a lever in negotiating for a reduction in the general Chinese tariff. Tariff discrimination favouring Japanese products is a problem the Powers may have to face. It is hard to foresee any mitigation of the smuggling problem; for it is exploited by Chinese vested interests which now are firmly entrenched. But Japan is not necessarily aiming at a separate customs administration for North China. Japan's designs upon this area are not territorial: there is at present no intention whatever of extending to North China the direct centralised control exercised in Manchukuo—this would involve an expenditure of manpower and resources that Japan is not prepared to contemplate.

Japan's aim is to guide the development of China's economy as a controlled source of raw materials and a tied market for Japanese goods. In the long view, perhaps, it would pay Japan best to co-operate with the West in facilitating the importation of capital so as to enable the Chinese to develop their economy in their own way—as a market for imported goods in which Japan would inevitably take pride of place. But the Japanese are determined to pursue the course that they have set themselves, and their economic theories are subordinated to considerations of strategic necessity, national security, expansion and prestige on the Asiatic mainland.

ROOSEVELT *versus* LANDON

I. CONSERVATISM 'TAKES' THIRD PLACE

WE are in the midst of a clearer and more rational contest for the presidency than anyone would have felt possible nine months ago. At that time Mr. Hoover and all the representatives of the Right wing of the Republican party, joined by outraged conservatives from the Democratic party, were declaring that the campaign issue was liberty. They sincerely believed and loudly proclaimed that the New Deal was bringing a "European" form of government to the United States, which they indiscriminately described as socialism, fascism, and/or communism. The American Liberty League was formed, supported by great wealth and conservatism, and began a campaign that resembled very closely the desperate efforts of conservatives in England to avert the social reforms of Messrs. Lloyd George and Asquith in the historic years of 1909-11. The interim leadership of the Republican party fell into step, issuing from Washington vast floods of printed argument declaring that America was in dire and immediate peril, and attacking the Roosevelt Administration with every sort of intemperate claim. A political campaign based upon this apoplectic viewpoint was bound to be as unconvincing to the great masses of Americans as it was fundamentally unsound. It played directly into the astute hands of President Roosevelt, who himself began to appeal to class feeling on the other side of the fence—a much more populous side of the fence, of course.

The emergence and leadership of Governor Landon have changed this type of campaign into a rational referendum upon the New Deal's methods rather than upon its objectives. Governor Landon was not nominated, nor

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really particularly approved, by the old leaders of his party. He was nominated by the "grass-roots" leaders, who were in close touch with the people. This Kansas Governor, they found, had a strong appeal to the rank and file. He was, to begin with, a very simple and unassuming man. His type was to be found in every community, and was liked in every community. He represented level-headed, reasonable, middle-class America just as accurately as Mr. Stanley Baldwin has seemed at times to represent the typical Briton. Moreover, Governor Landon had balanced the Kansas budget. It did not matter to people that he was forced to balance it by state laws which limited borrowing, and that Kansas had placated its people by means of generous federal grants. Landon had balanced the budget, and everybody liked that: even the people who were benefiting directly from the unbalanced federal budget.

The grass-roots spokesmen, sensing the Landon strength among the people, bore the message to the higher political leaders—the national committee-men, and party officials. The Republican party has a national chairman, and a committee-man and -woman from each of the 48 states. Among these are to be found the leaders of the "Old Guard". Some of them are the people who used to gather in "smoke-filled rooms" at the quadrennial political conventions, and about two-thirty in the morning decide upon a political candidate. Warren Harding is the classic example of selection of an unknown candidate by such methods. But behind these national committee members are state committee-men and county committee-men. These individuals come to the national convention too; they are the delegates who make up the vast assemblage. Their votes, although generally controlled by the national committee-man from each state, do the actual nominating of party candidates for the presidency.

The national committee-men came to the Republican convention at Cleveland with the realization that Governor

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Landon was ahead, but still with the feeling that somebody else could be chosen. A "Stop Landon" movement existed among these Old Guardsmen. They did not like him because he was too little experienced and too progressive. They had two or three men of their own. Senator Arthur H. Vandenberg of Michigan, an attractive member of the upper House, an able campaigner and thinker, was the principal candidate. Others were in the field. Colonel Frank Knox, a Chicago newspaper publisher, had the most diligent organization and some pledged supporters. Senator William E. Borah had a few votes pledged to him, but was in the field almost solely in order to bring pressure to bear on the ultimate candidate and platform to support his anti-monopoly, anti-gold-standard, and isolationist views.

Had these "Stop Landon" individuals been able to agree on a single champion, they might have been able to check the Kansas Governor's candidacy. But they soon found that their own supporters among the rank and file delegates were being attracted by Governor Landon. Several county and state committee-men told their mighty bosses that they would not be delivered like so many sausages, that while they were prepared to give their votes to the candidate to whom they were pledged on the first ballot, they were going to vote for Governor Landon sooner or later. The Old Guardsmen were helpless in the face of this revolt. The individual candidates were last to accept the bad news, but they did so after three days, and Governor Landon was nominated by acclamation, almost the most striking and overwhelming victory of a first-run candidate in American history.

Why? Partly because the opposition was weak, and the single element of Landon's budget record had caught the popular imagination. But more fundamentally because the country had revolted against the thesis that everything was wrong in the Roosevelt Administration, and that the hands of the clock should be set back. The country very

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definitely does not want to set the clock back. It wants to go ahead, but it wants to be sure that it is making real progress. Governor Landon's appeal is based primarily on the argument that he will take up the New Deal laws, and, as a sane, level-headed man, amend them into practicality and administer them calmly and successfully.

It is the old story, very familiar in Great Britain, of an essentially conservative Administration coming along to take up the laws the liberals have passed and put them into effect more efficiently than the liberals were likely to have done. Governor Landon himself may not be a conservative. He calls himself a "practical progressive". He is weak on initiating new laws, however, and strong on making progress by compromise and co-operation. He himself has not advocated the repeal of a single New Deal law. The Republican platform, the writing of which Governor Landon's lieutenants at Cleveland were unable altogether to control, does call for the repeal of one of the best of the New Deal's laws, the authority to negotiate and put into effect reciprocal trade agreements. How Governor Landon will treat that situation if he is elected has not been revealed. He can still lower or increase tariffs 50 per cent., under the flexible tariff provisions of the last tariff law, which will give some opportunity for negotiation. He has also indicated his intention of amending the social security law into workability, an objective heartily applauded by the social insurance experts. Doubtless some of the monetary legislation would be repealed. And there are, of course, countless administrative details that Governor Landon would change. But the fundamental recovery and reform objectives of the New Deal would remain precisely the same as they have been in the past three years.

In a word, the 1936 campaign—which a few months ago was between the New Dealers and the Denouncers—is now between the New Dealers and the Improvers. This fundamental change has brought the Republican party

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appreciably nearer victory. Whereas before the nomination of Governor Landon every indication was for the re-election of President Roosevelt by a fair margin, the polls and straw votes since the nomination show Governor Landon himself slightly ahead. The margin is not nearly so important at this stage as the trend, which has been distinctly away from the flaming cry for economic revolution enunciated by President Roosevelt at the Democratic Convention in Philadelphia, and toward Governor Landon's middle-of-the-road practical progressivism.

II. FOUR MILLION MUGWUMPS

THE best indication of this trend towards Landon came from President Roosevelt's former closest adviser, still an occasional consultant, the redoubtable Professor Raymond Moley. Professor Moley wrote, the other day, in a discussion of the interesting "Gallup" poll :

The important thing to note is the trend of public opinion. The Gallup poll shows a sharp nation-wide swing away from Roosevelt. In only seven states has there been a gain in his popularity. In the middle West, the real battleground in this campaign, there has been a general subsidence in the pro-Roosevelt sentiment. . . . Whether this startling indication of Landon's strength will influence the future strategy of the Democrats remains to be seen. If they do not deceive themselves, it will. It seemed to thoughtful people that the war-like note struck in Philadelphia, which could only be interpreted as the assurance of a continuation of Leftist reform, was unsound politically because the country was temporarily tired of reform. The Gallup poll provides impartial evidence to support the wisdom of that judgment.

This Gallup poll is, like the *Literary Digest* poll and several similar smaller attempts, one of the most interesting new developments in the mechanism of democracy. For about a year now, an organization called the American Institute of Public Opinion has been mailing out ballots asking people's opinion on every sort of subject, and also canvassing people from door to door, at restaurants and public gatherings, everywhere that a fair cross-section of

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opinions might be sought. Immediately after Governor Landon was nominated, the Institute distributed 105,000 ballots, carefully spread all over the United States and in every walk of life. Printed ballots are not trusted to get an accurate impression from the voters in the lowest groups, for such people generally do not send in answers. Personal interviews, however, are believed to make up a correct picture. The Institute gets about 20 per cent. of its answers from the upper class, 60 per cent. from the middle class, and 20 per cent. from the lower class, believing something like these proportions to correspond to actual voting expression in elections.

Such a canvass can be uncannily accurate. The *Literary Digest* poll is on a much greater scale—as many as 20,000,000 ballots have been mailed out in past presidential elections—but it is perhaps not so accurate a cross-section. Nevertheless, the *Digest* has never yet failed to pick the winner in a presidential election, and it has been amazingly accurate in many lesser elections. In a country like the United States, where electoral campaigns are long-drawn, such polls not only are vitally interesting to all involved, but may even have an influence on the outcome by suggesting that a certain candidate is bound to win. The Gallup poll is supported by scores of daily newspapers, which get exclusive rights to print its full results. Every month it gives a report on the presidential situation, and in the intervening weeks gives the result on various separate issues, such as minimum wage laws and so on.

There are many local polls, too. When conducted by experienced men, they can be highly accurate. Numerous farm publications poll the rural regions. Among the most interesting polls are those taken by the bookmakers. A bookmaker in Wall Street will be entering scores of thousands of dollars. He must set the odds. He has a great deal of money at stake. It is therefore very much worth his while to take sample drillings in available regions. The bookmaker does not bother about the mails. He

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sends half a dozen experienced canvassers to a typical city. They will select one name in twenty, or one in fifty, from the telephone directories. After asking these individuals how they will vote—and the queries are usually skilfully and subtly put, perhaps in the name of some national institution or newspaper—the canvassers go into the poorest districts, where there are not many telephones, and take soundings too. If they are experienced men, such explorations for three or four days, at a total expenditure of a few hundred dollars, will give them a positive assurance of how a city will vote. Their employers can then set the odds, and turn a neat profit on their book of “bets”.

The political parties also take polls of their own. The Democrats have one interesting expert. He is Mr. Emil Hurja, an American of Finnish extraction who has statistical training and broad, worldly political experience. The dapper, pudgy Emil—he is on intimate terms with the newspapermen—has maps and charts and statistical tables that rival those of the mariner sailing through reef-filled seas. He is a realist, and does not yield to wishful thinking. His very real importance is to tell the Democratic leaders in precisely what areas—even what counties and cities—they must concentrate their efforts to turn the tide. He has every one of the 48 states subdivided and organized, and is well aware how small a margin of votes can swing a big region. This sort of thing, of course, has been done by old-fashioned rule of thumb experts in the United States and in Great Britain for a long time. But Mr. Hurja has brought the slide rule and the logarithmic table into politics, apparently with complete scientific accuracy. He could not buck a landslide, but his advice on where to plug the dyke might well keep out a flood.

When the Gallup poll, on July 12, showed that Governor Landon had forged slightly ahead of President Roosevelt, it created a political sensation. Examination of the figures, however, showed that the Landon lead was only by a

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one-point margin in several states—51 to 49, for instance, in numerous big areas—so it was important only because of the trend it revealed. It is true, however, that Governor Landon has made a great appeal to the voters. This is based, as we have seen, upon his moderate and sympathetic approach to national problems. Elections in the United States are generally determined neither by the orthodox Republicans nor by the orthodox Democrats. There are about 13 million in each group. The decisive influence comes from about 13 million other people who are more or less independent. Ten million of them were on the Democratic side in 1932. Three million leaned to Mr. Hoover even then. The job for the Republicans this year is to charm four million of these Mugwumps * away from the New Deal. Where will they be found? Not among the orthodox, stand-pat voters who were Republican before. Not among the orthodox Democrats. Some, indeed, of the conservative Democrats are turning to Governor Landon, but they may well be balanced by working-class or trades-union Republicans who are with President Roosevelt.

No, Governor Landon sensed that the decisive four million voters this year will be found among middle-of-the-road folk, people who are moderate and tolerant about their politics, who have liked much in the New Deal but are not so sure now. The precise conditions for Republican victory were described last winter by a man who is now chief "brains-truster" to Governor Landon. He is Charles P. Taft, a big, amiable, youthful son of the late President William Howard Taft. Mr. Taft wrote in mid-winter :

The first condition of a Republican victory is a common-sense, forward-looking program, devoid of bitterness, and addressed to the 10 million moderates who voted last time for Roosevelt. Such a program will not drive the conservatives away. They

* "An Independent in politics; *spec.* a Republican who refused to support the nominee of the party for president in the 1884 election."
Shorter O.E.D.

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are very practical people and the more they hate the President the more likely they are to choose his opponent. If the bitter-enders win out and manufacture a platform from the miscellaneous assortment of political lumber glued together by the spittle of hate, the Republicans are beaten before they begin.

The second condition for Republican success is of course a candidate—one who can interpret the program with intelligence and the common touch, with good humor but with deep conviction.

Those two conditions are now the text of the Landon campaign. The bitter-enders did not win out, the candidate has the common touch. If anything can win for the Republicans this year, this combination will do so. But it is by no means sure that President Roosevelt's campaigning genius, his political resourcefulness, and the enormous federal and local machines he has in his control, will not turn back the Landon challenge. For President Roosevelt has a big electoral advantage to start with. He has the unswerving Democratic support of the Solid South. A few figures may be interesting; they have the advantage, at least, of stark political realism. Here is how President Roosevelt can be re-elected. (It needs to be explained that each state has a fixed number of votes in the fictional Electoral College, totalling 531, and that the election goes by majorities in the Electoral College, not by total popular vote.)

(1) President Roosevelt is certain, at the outset, of ten states of the Solid South, totalling 113 votes.

(2) He is more than likely to carry four "border" states, Kentucky, Missouri, Oklahoma, and Tennessee, totalling 48 votes.

(3) His chances are strong in two other important states, California and Wisconsin, with 34 votes. These three groups raise the Roosevelt total to 195.

(4) To win the election, he would then only have to carry New York and Illinois, which have 76 votes between them. President Roosevelt would have 271 votes, or five over the needed 266.

Governor Landon's problem is to carry not only the 30 other states in the Union, but also one at least of the big

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states listed above. He will certainly not carry all of these 30 states, although his chances look good in about 20 of them, with a total of 146 votes. The remaining states are real fighting ground. So, boiled down, the election is virtually certain to go to the candidate who carries two of the three states of Illinois, New York, and Pennsylvania, with 92 votes among them. Those are the bare, mathematical facts of the campaign. In each of these three states, there is a powerful political machine in the hands of the Democrats. In New York it is Tammany Hall, in Pennsylvania the state-wide machine of Senator "Joe" Guffey, coupled with the militant mass of organized labor, and in Illinois the Chicago machine of Bosses Nash and Kelly. For Governor Landon to carry two of these states will be a herculean task, but it is precisely the job ahead of him. Too few people realize the mathematics of the election, which starts out with 113 votes for the Democrats. In the three pivotal states the urban industrial masses are believed to favor President Roosevelt strongly. The farm groups in these states are more or less back to their normal Republicanism. Combining the rural vote with the upper and middle-class conservatives in the cities, the Landon total might equal the city vote for Roosevelt. Therefore the decisive ballots would be cast by the moderates, in town and country alike. Hence Landon.

III. "ALF"

AND what about Governor Landon? The United States has only just been making his acquaintance. He has been in public life only four years, and for just one year has been seriously considered as a presidential candidate. His rise has been regularly chronicled in these letters, beginning with the time when some of his friends uncharitably said that he would make a good vice-presidential candidate.

Governor Landon wears very well. He is a very

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pleasing man, of unassuming and modest approach, intensely interested in his visitors and apt at extracting meaty information from them. He is of mixed English and Scotch descent, with a broad streak of Pennsylvania “Dutch” thrown in—which means German. The Pennsylvania “Dutch” are among the most beloved of all racial groups in the United States. They have preserved their character for a century and a half. They are thrifty, sometimes stubborn, but warm and fun-loving. So is Governor Landon. He combines the virtues of his birthplace in western Pennsylvania with the expansive progressivism of the prairies. After living into his late ’teens in Pennsylvania and Ohio, in the heart of old American traditions, he moved to the rip-roaring oil frontier of southern Kansas—the mid-continent field. Here his sturdy father, who is still a leader in the community, went into the oil business, and Alf—the presidential nominee signs all state papers “Alf”—went to the excellent state university, took a law degree, worked for a few years in a bank, where he learned something of business practices and financing methods in the practical world. Then he went into the oil business for himself, as an independent. He has often had to resist the great oil companies, which control the pipe-lines, and has done so as Governor of Kansas when they sought to “rig” the market. But he was never strong enough—nor were his fellow independents—to tackle the big oil companies in a frontal fight. Always they had to get their way by negotiation and compromise, by bringing the government occasionally on their side, or getting “the goods” on the big companies.

This experience has deeply conditioned Governor Landon’s character, and has given him a technique of getting along with people and the interests. It is a technique of negotiation and compromise. His favorite phrase is: “Keep your big stick behind the door.” He wants people to know that a big stick is there, but he does not believe in laying on with it. Such a technique seems to

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have much to commend it nationally at this particular time. The Roosevelt Administration has enacted much regulatory legislation. It has had difficulty in applying it, largely because of the tense hostility that has grown up between the New Deal and business. This same hostility, accompanied by fear and uncertainty, has undeniably held back business expansion. At the same time, need for plant renewal, renovation, or expansion has been mounting in the United States. It would seem more than likely that if Governor Landon were elected business would enter upon a bold period of expansion, and that at the same time the Republican President would be able to administer with tact and success the many New Deal reforms that are approved in principle but resisted in practice.

There is another side to such an expansion. It might give rise to the very credit inflation that has hung menacingly over the American economic structure for four years. The financial structure of the United States is admittedly in very unhealthy shape. The enormous bank reserves, the accumulated stores of gold and silver, have been backed up behind the dam of fear and uncertainty since 1932. If the dam breaks under the glorious victory (to conservatives) of President Roosevelt's defeat, will it not be as difficult to check the effects of a disastrous inflation of values as if it had come through printing-press inflation? The Federal Reserve Board has some new measures of control, and would certainly try to exercise them. But the picture is not encouraging. Certainly there would be sound basis for much expansion. Most authorities feel that two great and somewhat inter-related expansive developments are in store for the United States: housing and air-conditioning. It is well known that American housing has not made the strides marked, for instance, in Great Britain. The whole structure of American mass-production industry is itching to get its fingers on housing. For two or three years the General

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Electric Company and General Motors, the mammoth and ramified leaders in mass production, have had prefabricated houses on hand which seem to be perfectly practicable, luxurious and complete. They can be built in the machine shops for, say, \$7,000 for an eight or nine room house. Put into mass-production, with a national market, they would probably cost from \$800 to \$1,000. Once the housing ball starts rolling, the consequences may be incalculable. Many, probably most, American houses are cheap structures of wood. What is envisaged would be to present-day housing what the V-8 Ford is to horse-and-buggy transportation. With an era of expansion, such a development might not be so fantastic as it sounds.

Along with housing would go air-conditioning. To those living in the equable temperatures of much of the British Empire, this business of air-conditioning may sound far-fetched. But Governor Landon (and the reporters who are watching him at Topeka, Kansas) have spent the past 25 days in temperatures of over 100 degrees Fahrenheit, every single day. Night before last, after a day of 114 degrees heat, the official reading stayed at 100 degrees until midnight. The night wind was saharan. Similar conditions have prevailed for a month or six weeks, and are likely to persist, perhaps with interruptions, for another month, over half to two-thirds of the United States. People go into their cellars to sleep, or out in the fields and parks. In city tenements conditions are of course horrible. Many people sleep under a wet sheet, with an electric fan playing upon them. It is all fantastic and unreal. Yet it is life in much of the United States, these last few summers.

The railroad trains are mostly air-conditioned, and travel on them is a pleasure that people seek out. Restaurants and cinemas are also cooled artificially, and people spend long hours lounging therein—even sleeping in them until they are turned out. Some department stores are

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cooled, some office buildings, and a few hotels. But the work of air-conditioning is just beginning. Installation of such equipment in most of the places where human beings gather in the United States during the summer months is coming, and the demands upon heavy durable-goods industry are bound to be substantial and reviving. The only difficulty is when one emerges from a cooled building into the open air. The blasts from pavement and canyon-walls are nearly unbearable. Nobody has as yet been able to air-condition the outdoors. Nor have motor cars yet been air-cooled except by amateurs, who install dry or natural ice in them, and play electric fans across the ice. But it is a simple engineering matter to insulate the car body both from the engines and as much as possible from the sun, and to install cooling equipment inside. Already American cars have elaborate heating equipment, almost standard on every car, so that winter travellers can duplicate the high temperatures of their homes, and most cars have radios. Air-conditioning may well be the next fillip given the important American motor industry.

IV. DEMAGOGUES ON THE LEFT

PERHAPS it is the fault of the hot summer. Anyway, the current crop of demagogues is particularly pestiferous. In mid-July, at Cleveland, was held the most emotional and frantic political convention in American history. It was the second Townsend National Convention. The venerable Iowa physician, who first spread the idea of \$200 a month old-age pensions to everybody, was only one of the messiahs in attendance, although he was certainly the chief. The 5,000 delegates—more than went to both Republican and Democratic conventions—were mostly old folk and humble folk. They revered Dr. Townsend with a pathetic passion. Of the sincerity and simplicity of the gaunt leader, nobody has doubts. He believes with all the faith of the Christian martyrs that

DEMAGOGUES ON THE LEFT

it would be possible to lay a transactional tax on every business turnover in the country, collect enough money to pay every person over 60 years of age their \$200 a month, and then get the money back by insisting that the total sum be spent within the month. But around Dr. Townsend there has gathered an unsavoury horde. First is an old-fashioned preacher, a hawk-nosed, bright-eyed evangelist of the American sawdust trail. He is young, magnetic, barrel-chested and lunged. The Rev. Gerald L. K. Smith was the late Senator Huey P. Long's chief organizer. Now he has gone over to Townsendism. He is the closest adviser of Dr. Townsend, probably far more dominant than he ever was with the Long share-the-wealth movement. Brandishing a Bible, Preacher Smith uses all the devices of demagoguery to lash the Townsendites at their frequent meetings into hysteria.

Then there was Father Coughlin, the Detroit radio priest. This burly clergyman, with his National Union for Social Justice, also joined forces with the Townsendites and the remnants of the Long movement in a unified front behind one Congressman William Lemke and the so-called "Union Party", on whose ticket he is running for the presidency. Father Coughlin ranks with the most potent European orators—the Hitlers and Mussolinis and Goebbels. His resounding Roman voice is a superb organ, in magnificent control. It begins on the gentle notes, works up to full crescendo. At an appropriate climax, it is Father Coughlin's dramatic pleasure to defrock himself. While his mesmerized audience gasps spellbound, Father Coughlin steps back from the rostrum, tears off his black coat, pulls away his clerical collar, plucks out the collar stud fastening his neckband, faces the audience chunkily in black trousers and open shirt. Then he goes to work in earnest.

The effect, of course, is frenzy. Such speakers as clerics Smith and Coughlin can stump the country with devastating effect. They hate President Roosevelt with bitter fury.

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Father Coughlin was once an intimate of the President, and a powerful influence in enacting the silver-purchase legislation. But because President Roosevelt has in effect stabilized the dollar, and become more moderate in his silver policy, Father Coughlin turns into his bitterest enemy. It is impossible to tell what the exact effect of this trio of furies will be on the outcome of the election. They like Governor Landon no better than President Roosevelt, but many of their supporters—particularly the Townsendites—are old people of traditional Republican leanings. Their Union party, with its quasi-dummy candidate, Congressman Lemke, can get on the ballot in only a minority of states. But in some of these it may be able to shear away from President Roosevelt and drop into the wastepaper-basket just those votes that meant his margin over Governor Landon.

In this demagogue-ridden electoral summer, it is just the fate of the United States to have a major labor crisis, perhaps the greatest in its history. The issue is industrial *versus* craft unionism. On one side are the craft-unionists behind President William Green of the American Federation of Labor—an ancient and Tory-minded labor group. On the other side is John Llewellyn Lewis, another fiery Welshman who has mobilized a Committee for Industrial Organization, and is proposing to organize the traditionally unorganized steel workers. There is therefore a two-sided battle going on. On one front it is between aggressive John Lewis, who has ambitions to be President of the United States in 1940 on a Liberal-Farmer-Labor ticket, and whose stepping stone would be the organization of great industrial unions. President Green of the A.F. of L. resists the movement because the aristocratic and lucrative conservative leadership of his federation would be forced altogether out of the labor picture if industrial unions were to gain new strength, particularly in steel. On the other front is the struggle between John Lewis and the iron-masters. Lewis has his own United Mine

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Workers to start with, the richest and most powerful union in the country, and eleven other industrial unions. To them he wishes to add steel's half-million workers. The iron-masters promise to fight for the open shop and company unions. Simultaneously, another strong industrial union, the United Electrical and Radio Workers of America, is combating the Radio Corporation of America in a sanguinary strike at Camden, N.J. High-handed methods on both sides have caused public sympathy to waver. With business still on the upcurve, despite the summer and the expected lull during a presidential campaign, more and more strikes are to be expected. All round, it will be a hot time in the country until November third.

But happily, as we saw at the beginning, the presidential contest is being fought along sane lines. That is not to deny that Governor Landon's conservative allies are still clamoring about the peril to American institutions. But this, as Charles Taft (Governor Landon's chief adviser) says, is "poppycock . . . 'springes to catch woodcock.'" The real keynote of the campaign was set by Governor Landon himself in his acceptance speech, when he said :

Practical progressives have suffered the disheartening experience of seeing many liberal objectives discredited during the past three years by careless thinking, unworkable laws and incompetent administration. The nation has not made the durable progress, either in reform or recovery, that we had the right to expect.

On that question, the 4,000,000 mid-ground "mugwumps" will probably decide the 1936 elections.

THE MIDDLE SEA

I. NEW MEDITERRANEAN PROBLEMS

A SERIES of circumstances, only loosely connected with each other, have forced the nations of the British Commonwealth to reconsider in a new and realistic light their strategic and political position in the Mediterranean region. From September to July, the Anglo-Italian tension arising from the Abyssinian war made necessary a concentration of British naval force in the Mediterranean and the Red Sea. The tension having now been relieved by the collapse of Abyssinia and the raising of sanctions, the greater part of the naval reinforcements have been withdrawn, but the strategic problems thus exposed have lost none of their importance by being rendered temporarily less urgent. Next, the negotiations for a treaty of alliance with Egypt have compelled us to decide our whole future attitude towards the defence of the Suez Canal route and our communications by land and air with East and South Africa. Then Turkey's request for restoration of the right to fortify the Dardanelles has brought us face to face with another set of questions—the possible combinations of national power in the eastern Mediterranean, and the link between this regional power complex and the international politics of eastern Europe, the Balkans and even the Far East. Finally, the disturbances in Spain have opened up the possibility of vital changes in the power complex in the western Mediterranean also. Meanwhile, the failure of economic sanctions in the test case of Abyssinia, by imposing upon the League Powers a searching review of their position under the Covenant, has changed the general background against which all these questions must be seen.

For the British Commonwealth, the Mediterranean fills

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a dual rôle. It is at once a local sea upon whose shores lie a number of British colonies, protectorates and mandated territories, and a link in the main sea route between the United Kingdom and India, East Africa, Australia and the Far East. In common argument, the stress is generally laid upon the latter function, partly because those sea communications are so important for the economic welfare of the Commonwealth, and play so large a part in determining the attitude of its different members one to another, and partly because the British territorial footing in the Mediterranean is in a large measure subordinate to the need for defending the sea thoroughfare. Gibraltar, Malta and Cyprus have been held under the British flag as strategic strong points, not for their economic importance nor on account of political and racial ties between their inhabitants and those of Great Britain. Historically, our peculiar position in Egypt derives very largely from our anxiety not to relinquish to an alien Power the command of the Suez Canal and its approaches; and it may be that our assumption of the mandate for Palestine and Transjordan, and of the protective guardianship of 'Iraq, was partly inspired by the same motive. Nevertheless, it is well to bear in mind that once installed in the fortress colonies, or as mandatory Power in Palestine, Great Britain owes a duty to their inhabitants to defend them against external aggression as well as internal disruption; and that the new treaty of alliance with Egypt will impose upon us an obligation to protect her no less exacting, nor morally less binding, than the obligation to help in defending any part of the self-governing Commonwealth.

Egypt is not merely the sovereign over the territory of the Suez Canal and geographically the mistress of its mouths; she forms an essential link in the air communications between Great Britain and Africa, India, the Far East and the Pacific Dominions. The value of those air communications in commerce and finance, and in political and social contacts within the Commonwealth, is already

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great, and will doubtless advance still further when the flying-boat service and the three-halfpenny air mail are inaugurated next year; but more important in this connection (since the life-blood of the Empire would not be drained if we were forced to revert to pre-air practice in commercial and private affairs) is their growing strategic value. Air power, however, cannot be considered by itself, but only in relation to military and naval power; for the availability and capacity of air forces in any region depend on the holding, manning and equipping of ground bases, which cannot be improvised in an emergency, and which must be sufficiently defended by sea and land.

II. TWO SCHOOLS OF STRATEGY

ALL this enforces the suggestion that it may be dangerous to lay too great an emphasis upon the Mediterranean as a commercial route. For that might lead us to one of two fallacious conclusions: either that a sacrificial defensive effort must be made in order to keep open the Mediterranean for all through commerce in time of war as in time of peace, or, in the alternative, that our naval strongholds in the Mediterranean should be entirely relinquished, with a view to concentrating our defensive effort upon the longer ocean route round the Cape. The current controversy between the two main views of our correct strategic policy in the Mediterranean is not to be conceived in those terms. On the one hand, the "Cape school" do not insist that the Mediterranean should be abandoned altogether as a seat of British power, nor do they wish our peace establishment in that area to be reduced to the scale, say, of the China station. On the other hand, the "Mediterranean school" admit that in the event of a major war in the Mediterranean, even if the British Commonwealth were not immediately drawn in, much of the commercial traffic passing in peace time through the Suez Canal to and from northern waters would inevitably be

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diverted round the Cape. The Mediterranean route accounts for an important fraction of the foodstuffs and raw materials imported into the United Kingdom, though this proportion—approximately 9 per cent.—is smaller than is generally imagined. The increased length of voyage round the Cape—varying between nearly 80 per cent. for Indian ports and 10 per cent. for Australian ports—would *pro tanto* raise the cost of transport, and a sudden switch-over from the shorter to the longer voyage would for the time being curtail the normal volume of supplies. The most serious aspect of the diversion, however, would lie in the absorption of many additional ships in the Eastern, Far Eastern and Australian trades, if the normal flow of cargoes was to be maintained thereafter; for this would dangerously deplete our resources of mercantile tonnage, upon which in the last war we decisively relied. According to the latest *Lloyd's Register Book*, United Kingdom tonnage is now 1,709,000 tons less than it was in 1914, and our proportion of the world's tonnage has fallen from 41·6 per cent. to 26·8 per cent. Any further weakening of this vital element in our security would be a grave matter indeed. Nevertheless, to hope to keep even a moderately safe passage open for ordinary traffic through a channel only a hundred miles wide, commanded by main naval and air bases of a foreign Power, in the event of war with that Power is a mirage; and this is recognised by both schools of strategic thought.

Their difference lies rather in the conclusions to be drawn from that fact. The Cape school claim that since any attempt to keep open the Mediterranean route for ordinary commerce in the event of war in that area would be mere foolhardiness, our naval strategy for such a contingency should be to seal both ends of the Mediterranean, by means of forces based respectively on Gibraltar and on Aden and Kilindini, and to maintain permanently in the Mediterranean itself only such small ships and submarines and garrisons as would suffice to harass a hostile Power and

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prevent the capture of our air bases or the invasion of territory under our flag or protection. A battle fleet based on Gibraltar, in their view, would effectively command the western Mediterranean, even if Malta were no longer a British naval fortress. Malta, say the Cape school, though capable of becoming an almost impregnable air base through the construction of underground hangers, is a liability as a naval base because of the extreme vulnerability of its docks and harbours, and the uncertain morale of a section of its inhabitants. They do not suggest that we should relinquish our air power in the Mediterranean zone, but on the contrary that we should concentrate on air defence and counter-attack from bases in Malta, Egypt, Palestine and elsewhere; in this sphere of defence, it is claimed, the Dominions could afford far swifter and more valuable assistance, if they too were engaged in the war, than they could if we sought an issue upon the sea in the Mediterranean. Meanwhile, according to the Cape school, we should reserve for the defence of the Cape route the men, ships and money released from the attempt to maintain indefensible main naval bases in the Mediterranean. In the event of a Mediterranean war, so they argue, it would be necessary not only to afford special protection to the commercial traffic that would be diverted round the Cape, but also to have intermediate bases for the naval forces themselves, between European and Middle Eastern waters.

In reply to this thesis, the Mediterranean school offer two arguments. First, they assert that to abandon Malta as a naval base, to withdraw a large part of the Mediterranean fleet, and to let it be known that our strategy in the event of war would be to avoid a major naval engagement in the Mediterranean, would be greatly to increase the chances of just such a war. "*Si vis pacem, para bellum*" has at least a limited validity. If a potential enemy knew that his battle fleet would have a free run of the Mediterranean as far as we were concerned, he would be much more likely to stir up trouble, perhaps not with ourselves directly, but with

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other countries whom, in the long run, we would be bound to assist. It may be that Malta is highly vulnerable, and that big ships in a confined area are a dangerously exposed target if they are within bombing range of enemy territory (though the degree of truth in either of these contentions is a matter for debate). But at the very worst, the Mediterranean school claim, our fleet in the Mediterranean could do enough damage to an enemy to cripple him long before we ourselves were crippled; hence our present forces act as a tremendous deterrent to breaches of peace in the Mediterranean, let alone attacks on our own territory there. The second argument of the Mediterranean school is that it would be impossible to maintain our air bases or land strongholds in the Mediterranean, or to defend the countries we are bound to defend, without a naval force capable of standing up to the enemy's fleet. Only battleships, runs the argument, can in the last resort fight others of their kind. With air forces and land artillery you may harass an invading or a bombarding naval force, but you cannot ward it off. Hence, say the Mediterranean school, there is no middle course between holding the Mediterranean by sea and abandoning it altogether, by sea, land and air; and the latter course is unthinkable. We need not pretend to be able to keep the Mediterranean open for all through commercial traffic in time of war, but we ought nevertheless to increase rather than diminish the Mediterranean fleet, and to strengthen our naval bases in that sea, not only at Malta but also at the eastern end, at Alexandria and Haifa and on the island of Cyprus.

The decision between these two schools must depend largely upon technical factors, some of which—like the vulnerability of big ships from the air—are themselves the subject of argument. It must also depend to a certain extent upon factors of international politics—the effect of our strategic policy upon the alignment of foreign Powers in relation to ourselves and to each other. These are not matters upon which a definite conclusion can be reached

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within the scope of this article, or upon which, indeed, the layman can safely pronounce judgment. We propose, therefore, simply to describe some of the facts against which the strategic argument must be seen and upon which the decision of those responsible in the Governments and defence forces of the British Commonwealth must eventually be based.

On the strength of the attention known to have been devoted recently to the bunkering and docking facilities of British ports in West, South and East Africa, and in the Indian Ocean, rumours were rife not long ago that the British Government had been convinced by what we have called the Cape school; and these rumours were reinforced by too hasty deductions from Mr. Pirow's recent visit to discuss with Whitehall the future of the Cape Town defences and other matters of common concern between the South African and United Kingdom Governments. The rumours were then arrested, and the controversy seemed to have been ended in favour of the Mediterranean school, when the First Lord of the Admiralty (Sir Samuel Hoare) declared in the House of Commons that Malta was to be retained as the principal British naval base in the Mediterranean. It has been reported, furthermore, that the fleet movements following the removal of sanctions against Italy have left the Mediterranean fleet appreciably stronger than it was before the reinforcements were sent last September, not counting any prospective increase that may follow the raising of our total naval strength under the rearmament programme.

Nevertheless, the strategic controversy cannot yet be regarded as settled, since it is still being pursued, apparently, in the highest political and service quarters. Nor can it be eventually settled without consultation with the Dominions and India. It must not be forgotten that the defence resolutions of the 1923 Imperial Conference—which remain the theoretical foundation of Commonwealth defence—were included among their guiding principles :

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Adequate provision for safeguarding the maritime communications of the several parts of the Empire and the routes and waterways along and through which their armed forces and trade pass ;

and that in the application of those principles to the different parts of the Commonwealth the Conference took note of, *inter alia*,

the necessity for the maintenance of safe passage along the great route to the East through the Mediterranean and the Red Sea.

Mediterranean defence is not, therefore, a purely national but an international matter in the British Commonwealth.

III. BASES AND SHIPS

AT the present time, the Empire possesses in the Mediterranean only two regular naval bases, namely, Gibraltar, at the western extremity, and Malta, which is virtually equi-distant from the Atlantic and the Suez Canal. For the past year Alexandria and Haifa in Palestine have been utilised as emergency bases, while the island of Cyprus has been provisionally earmarked as a future base, though the measures necessary for its development in that rôle have yet to be taken. As the distance from Gibraltar to the Suez Canal is, roughly, 2,000 miles, it is evident that Malta holds a key position in the power politics of the Mediterranean, whether conceived in terms of command of the through commercial route or in terms of regional domination. It is indeed difficult to exaggerate the importance of the Maltese islands in relation to Mediterranean strategy. Lying, as they do, just to the south-east of the passage (less than a hundred miles wide) between Sicily and Cape Bon in Tunis, a passage that all shipping to and from the East must necessarily traverse, they form an ideal base, geographically speaking, for the defence, or conversely for the attack, of that vital channel. •

Before the advent of air power, the fact that Malta is less than 70 miles distant from the coast of Sicily caused

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no apprehension, and was certainly not considered to detract from its value as a fleet base; but recent events have indicated all too clearly that a great change has come over the strategic picture, as it concerns Malta. Towards the end of last August, when our relations with Italy were becoming strained, the Mediterranean Fleet unobtrusively withdrew from Malta and migrated to Alexandria, which has remained its headquarters ever since. Plainly the Admiralty were not satisfied that Malta offered a reasonably secure base for the fleet, and this view can only have been founded on the danger of air attack, since Malta is well defended against assault from the sea. It may be inferred, as a corollary, that the anti-aircraft defences of the island were considered inadequate last autumn. Since that date the defences of Malta have been reorganised, and, if we are to credit reports in the foreign press, have been reorganised on a most elaborate scale. Italian and French journals in particular have published circumstantial accounts—exaggerated, perhaps, and in some measure even imaginary—of what has been done, not only to render Malta proof against air attack, but also to make it a great aviation centre from which counter-attacks on a most formidable scale could be launched. It has also been reported that plans have been laid for the development of Cyprus as a stronghold for the British fleet. The precise future status of Alexandria will not be known until the detailed terms of the new Anglo-Egyptian treaty are published; but the topography of that port, and its position on foreign territory, prevent us from safely regarding it as more than an emergency anchorage, apart from the fact that it is deficient in the harbour facilities indispensable to a permanent main base. Haifa is under equal handicaps in that rôle. Cyprus, on the other hand, has many points in its favour. It is within comparatively easy reach of the Suez Canal, it is 240 miles from the nearest Italian territory (the Dodecanese, where at Leros a considerable naval and air base has been established), and both its chief ports,

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Famagusta and Limasol, are said to lend themselves, though doubtless at heavy expense, to naval development.

All history warns us, however, that bases, strong and self-contained though they may be, are not in themselves sufficient to "command" any area of sea beyond the range of their batteries. Consequently, the development of Mediterranean bases implies the provision of a measure of naval and air force sufficient to secure the defensive purpose for which the bases themselves are intended. What that measure must be depends, of course, on whether the purpose is that envisaged by the "Cape school" or that envisaged by the "Mediterranean school" of naval strategists; it also depends on the corresponding forces that a potential enemy may be able to muster, and on the availability of potential allies, as well as on our own ability to assemble forces from other areas in an emergency. Judged by the latter group of considerations alone, our present establishment appears to be adequate as far as capital ships are concerned, but it is weak in cruisers, destroyers and submarines. The building programmes of Mediterranean Powers show that they recognise the high strategic value, in that area, of light vessels of very high speed, with which the Italian navy is exceedingly well provided. The nineteen modern cruisers that it now possesses have a margin of several knots over our fastest ships, and there is a corresponding disparity between the speeds of British and Italian destroyers. It may be claimed that our vessels are superior in strength of construction, sea-worthiness, and cruising endurance; but, however desirable such qualities may be in the ships of a navy designed to operate in any part of the navigable globe, in the special conditions of Mediterranean strategy they may not fully compensate for a marked inferiority in speed, and therefore in strategic mobility.

Twelve months ago, when the possibility of a conflict in the Mediterranean had to be reckoned with, the Admiralty laid down the minimum standard of naval strength

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that in their judgment was necessary to cope with the threatened situation. To attain that standard it was found necessary to concentrate in the danger zone not merely every available ship of the Mediterranean Fleet, but also a large proportion of the Home Fleet, besides a number of units from the America and West Indies station, the China and East Indies station, and the Australian and New Zealand squadrons. As a result of this concentration in the eastern part of the Mediterranean, all other strategic nerve-centres of the Empire, including the British Channel itself, were left with naval protection that must certainly have proved inadequate had another and concurrent emergency arisen. In other words, the possibility of a clash with even a secondary naval Power sufficed to expose the slender margin of naval strength at the disposal of the Empire. This fact more than any other lent persuasiveness to the "Cape school's" view that our Mediterranean liabilities should be limited so as to enable our naval forces, while commanding the mouths of that sea, to be concentrated more effectively on the defence of the actual territory and home waters of the Commonwealth. The British Government, of course, at no time contemplated single-handed action against Italy, but laid its plans on the assumption that in the event of a clash it would have the support of other League Powers in defence of their common purpose, at least to the extent of the use of their harbours, and possibly in the shape of naval reinforcements also. With this in view, definitive pacts of mutual support were negotiated with France, Yugoslavia, Greece and Turkey. Their application was limited to the emergency caused by sanctions, but it must be borne in mind, as THE ROUND TABLE pointed out at the time, that they constitute a precedent for the future which it would be very difficult to ignore if the boot were on the other foot and some other Mediterranean Power were threatened by an aggressor.

THE BALANCE OF POWER

IV. THE BALANCE OF POWER

THIS brings us to the vital question of the balance of power in the Mediterranean, and of the future of collective security in that region. Recent events have caused us to adopt the hypothesis of an Anglo-Italian rupture, as the basis of some future conflict in the Mediterranean, but it would not do to confine our strategic and political plans to that assumption, or to ignore the possibilities of a wider conflict in which the Mediterranean complex would be but a part, as it was in the last world war. The first general point to note about the Mediterranean situation is that it falls, in a greater degree than almost any other major region of the world, "within the framework of the Covenant," in the sense that every one of the fully self-governing countries concerned, from Spain to Soviet Russia, is a member of the League of Nations. The sincerity of their membership, and their views of its obligations, may differ widely; but in the Mediterranean there is, at least, no such difficulty of formal approach as is caused in other regions of disturbance, like north-western or central Europe, the Far East or the Americas, by the absence of Germany, Japan and the United States from the League. The second general point is that the Mediterranean complex has direct links with the vital strategic and political problems of other areas—through Great Britain and France with the Locarno problem, through Russia with the German-Polish complex in the north-east, through Italy and Yugoslavia with the problem of Austria and the rivalry of different great Powers for influence in central Europe and the Balkans, through Russia and the nations of the British Commonwealth with the balance of power in the Far East and the Pacific, through the colonial ambitions and rivalries of European Powers in northern and eastern Africa with the gigantic problem of the relations between black and white peoples.

The complexity of these links was brought home to us

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by the negotiations at Montreux. Once the principle of refortification of the Dardanelles had been accepted, the controversy turned mainly on an Anglo-Russian dispute over the conditions that are to govern the entry of warships into the Black Sea and their egress from it, in the event of a war in which Turkey should be a non-belligerent. The attitude of the Soviets was simple and obvious. Their only other western seaboard being either ice-bound or dominated by Germany, they required the maximum rights of exit for their fleet (at present largely *in posse*) from the Black Sea in the event of a war or threat of war between themselves and some other Power. The British Government saw the matter in a different light. In the first place, they could not rule out the possibility of a conflict between the British Commonwealth and a Soviet Russia once more inspired by world revolutionary ambitions. In the second place, they hesitated to disturb the equilibrium of sea power secured through the Anglo-German naval pact, by giving Germany a good excuse for escaping from the pact's provisions on the plea of an enlarged threat from Russia. In the third place, for reasons easily appreciated by readers of THE ROUND TABLE, they were reluctant to admit for Russia an over-riding privilege derived from the Franco-Soviet pact, as a security arrangement ostensibly "within the framework of the Covenant," on a par with the privilege they were willing to allow as a corollary of the Covenant itself. In the end, the British delegation gave way on the major point, subject to the proviso that Black Sea Powers could claim rights under mutual security pacts to use the Straits in war time only if Turkey was a party to those pacts.

The refortification of the Dardanelles, which has already begun, and the new terms governing the passage of the Straits in times of peace and war, promise to disturb profoundly the power balance of the Mediterranean. By giving Turkey the key to the Black Sea they make her diplomatically and strategically master of that quarter. If Turkey, Rumania and Russia pursue a united policy,

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they may be able at some future time to project an extremely formidable beam of power throughout the Mediterranean and even beyond. Rumania seems to be moving closer into the Russian orbit, following the Franco-Soviet pact. Turkey was shown by the Abyssinian conflict to be a determined League Power, willing to assume, if necessary, active obligations in defence of the principles of the Covenant. Since her rejuvenation under Mustapha Kemal, she has concentrated her effort mainly upon internal reform and upon the diplomatic consolidation of the Balkans; but the refortification of the Dardanelles will no doubt draw her more into the politics and strategy of the Mediterranean. Apart from her command of the Straits, her possession of a small but by no means negligible fleet—including an old but reputedly formidable battle-cruiser, the ex-German *Goeben*, and a number of modern destroyers and submarines—will make her friendship or enmity or neutrality a factor of considerable importance. We are fortunate in being able to regard her as a friend and as a potential ally against any unprovoked aggression in the Mediterranean region.

Among the other Mediterranean Powers, Spain must be set aside with a large question mark, since both her martial strength and her international leanings will depend in a large degree on the outcome of the civil war that is raging as this is being written. Her potentialities are considerable; for her position on both sides of the Straits of Gibraltar, and her command of the Balearic islands, might make her a critical make-weight in western Mediterranean strategy. As regards Yugoslavia there is little doubt which direction her sympathies would take, irrespective of her political engagements. It is not without significance that Italian publicists invariably lay stress on the "menace" represented by Yugoslavia, with her Adriatic naval base at Cattaro and her growing fleet of submarines.

When we turn to the great naval Powers of the Mediterranean we find a more tangled skein of policy and interest.

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We may, perhaps, safely assume that France and Great Britain will never be found on opposite sides in a Mediterranean conflict, since France is far too intensely preoccupied with her fears of Germany to wish to face any additional opponents. On the other hand, those very fears of hers, as the Abyssinian affair made clear, render her unreliable as a potential defender of order and peace in the Mediterranean or beyond. The future of Italian policy is for the moment inscrutable. The Austro-German agreement, concluded with Mussolini's blessing, has established a *modus vivendi* on the basis of which Italy and Germany will doubtless move closer together in European diplomacy. The dangers of a renewed alliance of the Central Powers, for the League, for France, for Great Britain and the whole Commonwealth, are too obvious to need elaboration. But it must not be forgotten that the Austrian arrangement creates only an unstable and temporary equilibrium, and that on the Mediterranean front Italy is in a gravely exposed position if her policy antagonises both Great Britain and France simultaneously, not to say Yugoslavia and other Mediterranean Powers.

Those are some of the blunter considerations of international politics that must go to mould the Mediterranean policy of the Commonwealth nations. They are subordinate, however, to a broader question: what reliance are we to place upon the collective system of security in that region, and what contribution are we prepared to make towards its effectiveness? If the conclusion is that collective security as a universal system is an impracticable policy at this juncture, then the nations of the Commonwealth have to ask themselves what part, if any, they are bound or prepared to play in a regional Mediterranean system of security and mutual aid.

EMPIRE MIGRATION: AN AUSTRALIAN VIEW

"MIGRANT" has not quite the same connotation as either "emigrant" or "immigrant". It suggests neither the "true patriot" who left his country for his country's good, nor the rugged individualist who followed the gleam of gold, in a distant land, unheeding his country's loss. It means one who changes his habitat as birds do, and suggests no antagonism between the person who migrates and the land he leaves. The stigma of the steerage stuck always to the "emigrant". The implication of unwantedness clung always to the immigrant. The migrant is fortunately free from all unhappy associations. He moves from Birmingham, England, to Bogga-billa, New South Wales, because business needs require. He is not extruded. He does not intrude. He travels as a citizen within an Imperial Commonwealth.

But more things have happened than the omission of two unwanted prefixes. The complex of homeland and colonies or plantations has become the Imperial Commonwealth, standing like a fixed star of greater magnitude in a political universe of comets and nebulae. An economic system in which demand outraced supply has been replaced by an economic system in which supply is always in the lead. And the record of failure and success between 1831 and 1929 is so easy to read that both imperial visionaries and Australian trade unionists must be respectively chastened and quickened by it.

I. THE INTERESTS OF THE COMMONWEALTH

MIGRATION within the British Commonwealth means the redistribution of its people among its constituent communities. There are four interests to be

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considered—that of the Imperial Commonwealth, those of the country the migrant leaves and the country he enters, and that of the migrant himself. Conceivably these interests may conflict. The first essential is to ascertain if migration is desirable for any of them. This article considers migration from the United Kingdom to Australia only.*

The first interest to be considered is that of the Imperial Commonwealth. Since the Balfour Report was endorsed by the Imperial Conference of 1926, Great Britain and the Dominions have accepted the hypothesis that there exists a free association of autonomous communities "equal in status". The report concedes that "existing administrative, legislative and judicial forms" are "not wholly in accord" with the hypothesis. It says nothing of the economic, social, and political realities that necessitate these forms. In population, in wealth, in diversity and quality of enterprise, in intellectual achievement, the Dominions are not equal to the Motherland. The diminution of this inequality is necessary if the British Commonwealth of Nations is to become substance instead of aspiration. The Dominions must have larger populations and the many-sided industrial and social activity that distinguishes a nation from a colony. Immigration, properly controlled, from most European countries would strengthen the Dominions as nations. But the greater part must come from Great Britain if we are to preserve unimpaired the constructive power of the ideas on which the British Commonwealth is founded.

Thus defence in the sense of protection against dissolution is the first reason for desiring migration from the United Kingdom to Australia. Defence in the sense of capacity to resist aggression is the second. The sovereignty of the surface of the sea is no longer sufficient. Land

* For a discussion of Empire Migration as a whole, more particularly from the United Kingdom point of view, see an article in *THE ROUND TABLE*, No. 97, December 1934.

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forces are mere auxiliaries to the military chemist. To be capable of such resistance as would make aggression less likely, a vulnerable Dominion must have a population large enough and endowed with sufficient different aptitudes to enable a complex industrial system to be built up. In short, defence means, primarily, many-sided and efficient industry. And it is not enough to have this concentrated in the United Kingdom unless command not only of the surface of the sea but also of the air and under water is secured. This being a manifest impossibility, the all-round industrial development of the Dominions is necessary.

The interests of the Empire and of Australia coincide on the two points of defence, and the consequent necessity for building a many-sided economy. But the United Kingdom has its separate interests. Will it gain by the migration of the type of person Australia wishes to receive? The majority of migrants, for reasons to be considered later, will transfer to an economic and industrial environment similar to the one they left. Obviously the interest of the United Kingdom would be served by the migration of the shiftless, the morally crooked, and the feeble in health. But if migration is to benefit Australia and the Imperial Commonwealth, the capable, the energetic, and the healthy are wanted. Moreover, since the majority of migrants are young, Great Britain will lose potential producers and citizens on whose education public and private money has been spent. Her gain can only come if she loses those whom deferred hopes and frustrated capacity might have made malcontents. But the loss is certain; the gain problematical. Scotland has enriched the Empire and the United States by exporting talent. "Stands Scotland where it did?"

Again, the United Kingdom would gain by migration of non-producers simply because they cease to be a charge on her national income. But if they become producers in Australia of goods that will oust British goods from the Australian market, will they not merely turn British

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workmen at present employed into non-producers? Only if the effect of migration is to raise the standard of living in Australia so that the demand for British goods will increase, can migration be justified from the purely United Kingdom point of view.

II. AUSTRALIA'S CAPACITY

TO understand Australia's need, one must grasp two ideas firmly. First, the market for primary products will never again possess the joyous buoyancy of the 19th century, when a clamorous hungry world presented gaping mouths and naked backs for the enrichment of the sturdy frontier farmer. The engineer and the chemist have said in their cheerful efficient way: "Good-bye to All That." Mechanization has increased productivity per head on good land. Chemistry and biochemistry have increased the potential productivity per acre of any land. Prince Kropotkin said that the population of any great city could be fed from food grown on the pavements of its suburbs. The cost would be high, but what does cost matter to communities animated by unreasoning nationalism? And, secondly, Australia is sufficiently in the grip of economic nationalistic sentiment to ensure the development of every kind of home production that can find a footing. Consequently, migration to Australia must be negligible or must be directed towards the enlargement of an economy which is tending to be self-sufficient. The problem is not to transform the misfits in a predominantly industrial Great Britain into productive units in a predominantly agricultural and pastoral Australia. It is to lift a portion of the British economy and plant it in Australia.

Australia needs more than the "men, money and markets" that Mr. Bruce asked of the Imperial Conference in 1926. The men she needs are those the United Kingdom does not want to lose. The money she needs is largely

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British money. The markets she needs are partly British markets, not only in the sense that Great Britain will be required to take some of the goods that migrants will produce in Australia, but also in the sense that the absorption of British migrants into the Australian economy may develop production here that will permanently exclude certain classes of British goods from the Australian markets.

The absorptive capacity of Australia cannot be accurately gauged. Geographers differ. A change in the occupancy of the Chair of Geography at Sydney University seems to have raised the population-carrying capacity of Australia by some millions. But the ultimate potentialities of Australia matter little. What is of consequence is that people abroad should eschew crude notions based on careless comparisons of the continent with countries of approximately the same size, such as the United States, and that immigrants should be encouraged to come only when there is a reasonable possibility of satisfactory assimilation.

The absorptive capacity of a country is held by geographers to be limited by certain "controls". The chief control is climate. But the extent to which it operates depends on the adaptability of man, which is not measurable. The most we can do is to set out some climatic conditions unfavourable to close settlement and then qualify them by showing how they have been partially overcome.

Nearly 40 per cent. of Australia lies in latitudes between the summer rain areas and winter rain areas. There is thus a huge area roughly parallel to the coasts with a rainfall of less than 10 inches per annum. This is the "dead heart of Australia" which may be eliminated for most economic purposes. Metalliferous mining is the chief exception. Outside this vast irregular oval is a margin between the 10-inch and 20-inch isohyets which is suitable for grazing and in its south-eastern corner for wheat-growing. The tropic of Capricorn shuts off in the tropics more than half of Queensland, most of the Northern

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Territory and a quarter of Western Australia—an area of 1,149,320 square miles, or 38·6 per cent. of the continent. Only 4 per cent. of this tropical area is high enough to benefit by elevation, and the Atherton Tableland in North Queensland with 120,000 square miles is the only area made temperate by elevation, suitable for settlement. In most of the tropical regions otherwise suitable for settlement, the average monthly temperature is 70° Fahrenheit (wet-bulb)—the limit of comfort for British people. Some 37 per cent. of Australia has an average annual rainfall below 10 inches, as contrasted with 10 per cent. of the United States. The net result is that only 617,000 square miles—or one-third of the land similarly available to the United States of America—is available for close white settlement, and in this area most of the land has already been alienated and is settled so far as it can profitably be settled with the present markets for primary products.

But against those discouraging facts set these. A quarter of a million white people live in the tropics and some are tropic dwellers of the third generation. Queensland has a crude death rate of 7·9 per 1,000 of mean population, as against 8·7 for the rest of Australia and 12·5 for the United Kingdom. Infantile mortality in Queensland is lower than in any Australian State except South Australia, and much lower than in the United Kingdom (37 per 1,000 as against 68). White men work in the tropics all the year round, and tropical diseases have been greatly reduced.

In the temperate south-east there are ample areas, particularly in the Murray valley and the far north coast of New South Wales, which soil and climate render suitable for closer settlement. The “controls” here are the low price of primary products on the world market and the high cost of land.

We must not allow ourselves to regard the development of new economic units, or even of the political Commonwealth they are to serve, as ends in themselves. The British Commonwealth’s final justification is the apotheosis

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of private liberty. There can be no question of drafting people, even by the veiled conscription of propaganda, to new lands. The interests of the individual migrant are paramount. If he cannot better his position, his purposeless move is dead loss. The type of migrant who might fail in the United Kingdom but succeed in the Dominions is now rare. The standard of living in Great Britain is much higher than before 1914. In Australia it is approximately what it was. Social barriers are now more easily surmountable in Great Britain, and are not completely negligible in Australia. The British agricultural population, from which a large number of migrants formerly came, has been appreciably reduced. The rate of increase in the United Kingdom has declined, and will probably continue to decline to such an extent that she will reach her maximum population without emigration in a few years.

The conditions of life in the two countries are more nearly equal than they were in pre-war years. Australia can offer a sunnier climate to every migrant. To those whose "patient merit" has felt "spurns" of "the unworthy", a fuller life in a freer environment is open. But no British citizen should be induced to travel twelve thousand miles in the hope that barriers to well merited advancement do not exist in the new wide land. Chances of success or failure exist in Australia as in Great Britain. The migrant should be allowed to weigh them for himself, as he would do if he considered moving his home from Dorset to Warwickshire.

III. ASSISTED MIGRATION

THE methods to be employed to increase the flow of migrants may be classified as: (1) assistance; (2) quasi-assistance; (3) creation of the conditions that promote migration. Assisted migration may be defined as giving such financial aid, advice and direction to the migrant as

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will free him from the obligation of facing the hazards of the new life on his own responsibility. It includes the transportation of labourers and domestic servants, whether by government recruitment or through the good offices of voluntary societies, or by a combination of both, by means of free passages to a selected sphere of occupation; and the shepherding of settlers by much the same methods to a free or cheap piece of land. Quasi-assisted migration means giving such assistance as will leave the main burden of responsibility on the migrant. Creation of the conditions that promote migration cannot be defined and will be discussed below.

Assisted migration in the past has been intended to increase primary production in Australia, to give those to whom advancement was denied in the old land an opportunity in the new, to augment certain ill-supplied economic groups or social platoons, and to redress the balance between the sexes. It has been shown that the first and second motives no longer exist. The third is one that governments faced by trade union standards and a widespread belief in equality would wisely neglect. The fourth may be disregarded so far as Australia is concerned, since the disproportion of the sexes is now slight.

Whatever new reasons may be found for assisted migration, its record has been costly and strewn with failures. Queensland has the happiest record. Between 1870 and 1876, 39,000 immigrants were brought out under its land-order system. The total gain in population during the same period was 55,000, most of the additional 16,000 coming from the other Australian colonies. But some of the 39,000 would come under the definition of quasi-assisted, since they paid their full passage, while others were not true settlers because they sold their land-orders to speculators and settled, or were settled, in much the same position as they would have occupied in their home land. The record of assisted immigration in other states reveals a large percentage of waste. Statistics are meagre

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for the 19th century, but bitter protests from settled colonials that the "wrong class" was being selected, frequent changes of policy, and the record of those who required no assistance but took their fate in their own hands, are more conclusive than figures.

As any future scheme of assisted migration would entail assistance by the Government of the United Kingdom as well as the Australian Government, we may draw our experience mainly from the working of the Empire Settlement Act of 1922. Between 1922 and 1933, 403,902 assisted emigrants left the United Kingdom. During the same period, unassisted immigrants numbered 666,325. Of the assisted immigrants, only 14 per cent. are known to have settled on the land, though the intention of the Empire Settlement Act was to place people on the land; and a considerable number are known to have drifted from their rural moorings. The documented record of assisted migration reinforces the undocumented record of general human experience. No help will avail the helpless. The help that avails is that which lifts the insupportable burden and enables the individual to help himself.

Assisted migration at present would mean large public expenditure to produce mischievous results. Nevertheless, as a measure ancillary to the general policy of opening up opportunities, quasi-assistance should be given. This should take three forms—the giving of cheap, not free, passages, the making available of accurate information as to vocational openings, and educational courses. The expenses of all three should be borne by the British Government, the Australian Government, and voluntary organisations whose aims and personnel commend themselves to the Migration Advisory Boards of the Imperial and Dominion Governments. The justification for this measure of assistance is that the cost of obtaining information and of travelling is a complete barrier to many who possess all the qualities that enable a person successfully

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to break loose from an old environment and settle in a new.

The conditions necessary for these forms of quasi-assistance briefly are these. The assisted passage should be a combined land and sea ticket from any part of the United Kingdom to any part of Australia, and should be available to any one who intends to reside permanently in Australia. Restriction to third class or its equivalent should be sufficient protection to the shipping companies, but other safeguards, if necessary, could be devised. Nothing derogating from the self-respect of the migrant should be implied in the acceptance of such a reduced fare. It should be a cheap passage comparable to an excursion rate. The information given as an aid to migration should be such as a vocational guidance bureau would give to those seeking employment within the United Kingdom. All the crude and shrewd devices of publicity might be used to induce the potential migrant to obtain information; but the information itself should be ample, accurate, and non-tendentious. Educational courses should take the form of courses in adult education comprising lectures, reading courses, and cinema shows designed to explain the difference between life in Australia and life in Great Britain.

The conclusion may seem meagre. But the bald truth is that the best way to induce migration is to direct the main efforts of governments to matters not primarily connected with migration. The problem is to build a balanced economy in Australia which will have room for those who cannot find profitable employment in the United Kingdom. This involves, first, the use of the tariff as a bargaining instrument to bring about trade treaties, preferably within the Empire but also with other countries. Neither an Imperial *Zollverein* nor an economically self-sufficient Australia should be the aim, but the acquisition of markets and the migration of such secondary industries as can be profitably established within the Commonwealth. Migration of capital from the United Kingdom in the form

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both of loans to the Australian Government and of the transfer of the plant of private companies will be necessary. And a national planning bureau to advise the Australian Government on the conflicting and changing needs of primary and secondary industries will be the least dispensable instrument of migration.

No policy that is imperialistic in the sense that it subordinates Australian interests either to those of the United Kingdom or to those of the Imperial Commonwealth is possible. Equally impossible is one that attempts to establish Australia as an independent economic and political unit. Migration is a part of the general development of the Australian economy. All policies directed toward that development must be shaped in the light of Australia's precarious and equivocal position. She is and wishes to remain a member of the British Commonwealth. She is an economic and political entity in the South Pacific, which must establish closer economic and political relations with other countries that have interests there—notably with the United States and Japan.



THE FATE OF THE PHILIPPINES

I. INDEPENDENCE BY TIME-TABLE

DESPITE the present Commonwealth and Independence Law, by which the Philippines are promised full independence in 1945, the future relations of the United States to their most remote colonial adventure are still completely unsettled. Until 1945 the American flag flies over the islands, and the American President has a far wider responsibility for the Manila government than is commonly realized. Between now and 1945 almost anything can happen in the Far East—and probably will. The United States is going through a period of Little-Americanism. The Philippines are having a chastening experience in dominion autonomy, with the probable loss of much of the American market looming ahead of them in 1940, unless the terms of the Independence Law are altered in the meantime.

It is not at all bad for all concerned to have this precipitation in American-Philippine relations, which used to be constantly tense by reason of the agitation for independence, although the experience is doubtless more educational for the Filipinos than for the Americans. It is asserted without effective contradiction that almost every Filipino leader wishes for a continuance of the present dominion status indefinitely. The question is: will the United States be prepared to renew her acceptance of a heavy responsibility in the Far East? The only answer now possible is: not unless general public opinion surveys the Pacific before 1945 in far different mood from that which it displays today.

American policy in the Pacific is a curious hodge-podge. First of all, we are insisting on the legality of treaties in Manchuria and China. We refuse to recognize the fruits of conquest. We are being stiffly righteous and correct.

INDEPENDENCE BY TIME-TABLE

We hope the day may come when our attitude can be translated into greater realism. For the present, we stand pat, and nothing more, as far as the Asiatic mainland is concerned. Second, we put the Philippines on a time-table for independence. Since our legalistic non-recognition policy involves no action in Asia, this promise to withdraw from the islands in 1945 is theoretically a notice that we are pulling out of the Orient altogether.

But wait! Our third step is to promote a trans-Pacific air line, with bases right across the Japanese mandated islands. That is going back into Asia with a vengeance, although nominally only in the cause of round-the-world aviation and the onrush of modern communication.

The next stage in our policy—some would call it the first—is to build up our navy as fast as the shipyards can, to strengthen our bases in Hawaii, to investigate and talk freely about air and naval bases halfway down the vast Aleutian Islands half-moon that reaches to Japan's back door. We also keep all our fleet in the Pacific, instead of half in the Atlantic.

Such are the outward activities of American policy toward the Orient. The general public within the United States feels and thinks very little about it all. There is a widespread sense that these are bad times in the world, when everyone had best keep his powder dry. There is also a genuine antipathy toward overseas responsibility. Most people, when by chance they remember the Philippines, say: "Why on earth are we adventuring 10,000 miles away from home?" The average conservative-minded man, who in the nineteenth-hundreds was a rampant imperialist, is now anti-foreign, and very much in favor of self-containment. Men who as late as 1929 or 1932—and this includes many Republicans—were still in favor of the Theodore Roosevelt-McKinley brand of expansion and dollar-diplomacy have now completely revised their views. Conservative Democrats are precisely of the same opinion. Liberals have generally been opposed to imperialism anyway. There is left only a small

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group of bitter-end expansionists, plus an equally small group of people who understand the realities of the Far Eastern situation, and know that by the continued acceptance of a small responsibility in the Philippines—say of dominion status and equitable trade relations—the United States may be able to avoid the serious trouble consequent upon a Philippine collapse.

Everything depends upon events and emotions in the next ten years. Developments in south China could certainly affect American Far Eastern policy. So would European war. Or trouble in Siberia. But whether the American cat would jump back into Manila, or curl itself up somewhere in Kansas, is altogether speculative. A train of emotions could be set up in either direction. If business gets better within the United States, say if Governor Landon were elected President and a business boom followed, then according to copy-book theory the United States should begin to feel imperialist twitchings again. To go much farther than that in guessing about American policy runs us into the field of crystal-gazing.

However, by examining present conditions in the Philippines, it is easy to figure out what *ought* to happen in the best interests of the islands and the other interested parties. What is needed is simply that the Philippines should have a fair chance to work out their destiny, and to secure economic and political security, not necessarily independence. Economic security will be dependent for many years to come upon the American market. Political security, too, is likely to depend upon a paternal American interest, perhaps expressed through dominion status. But if the United States is not prepared to go that far, then economic security through a fair trade treaty would be the best first step. And, however uninformed American opinion may be now, there is the saving grace of nine years—more or less—in which to work out a permanent Philippine status. It is almost inconceivable that during that period the manifest welfare of all three groups involved—

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the Filipinos, the United States, and the interested Powers in the Far East—should not be mutually adjusted.

II. THE SHADOW OF THE AMERICAN TARIFF

THEORETICALLY, of course, the status of the Philippines is settled. By the terms of the Philippine Commonwealth and Independence Law, the islands are now enjoying the pleasures of dominion status. Their commonwealth was inaugurated with fitting pomp and oratory at Manila on November 15, 1935. For five years this autonomy continues as at present, with Philippine exports still entering the American market more or less freely. But in 1940 American tariff duties begin to apply, under the terms of the Independence Law. Five per cent. of the full tariff is to be applied in 1940, rising to twenty-five per cent. in 1945. In the latter year, when full independence is scheduled to take effect, the full hundred per cent. tariff duties are to apply. There are only two strings officially dangling from the Independence Law: the status of American naval bases in the islands, which the United States may either retain or give up, and the question of an international neutralization pact. Probably the one would be the price of the other.

But already one alteration in this time-table is anticipated. On signing the Independence Law—and as an informal condition which the Filipino delegation required—President Roosevelt promised President Manuel Quezon of the Commonwealth that the economic terms of the law would be reviewed. This examination, the Filipinos and their friends hope, will lead to some form of reciprocal trade agreement, mitigating the severity of the present economic terms. The Philippine economy down through the years has been made tragically dependent upon the American market. The chief source of wealth in the islands is the production and export of agricultural commodities, with the sale of hardwood lumber and increasing shipments of minerals, mostly gold.

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Eighty-four per cent. of this trade in 1934 was with the United States. The chief export is sugar, and in 1933-34 the Philippines stood fifth in the entire world in sugar production. But it all went into the protected American market. After the second year of tariffs—in 1941, when one-tenth of the American tariff would apply—it is calculated that Philippine sugar could enter the United States only with a sharp cut in present production costs. Some such economies might be made. But trade experts doubt whether the Philippine sugar industry could survive the full American tariff. A small fraction, on the richest lands, might keep on. There is no other market in which Philippine sugar can compete with the cheap producing areas—Java or Cuba. The Philippines are the world's chief producer of coconut products, including copra and coconut oil. Some of this already goes into foreign markets; 19 per cent. went to France in 1933. But the main dependence is upon the United States, where the oils run into competition with cottonseed oil. Experts estimate that the Philippine coconut industry, upon which one out of every three persons in the islands is calculated to depend, could not survive the first year of American tariffs. The same conclusion is true of tobacco, and applies not only to the raising of plant but also to Manila cigar-making. Collapse of this industry would result in widespread industrial unemployment around Manila, with serious social consequences. Manila hemp, formerly the first export of the islands, has slipped to fourth place because of competition with jute, sisal and other cheaper cordage. But it can always find a world market, however restricted.

Thus, the application of American tariffs would even in 1940 cut deep into Philippine exports, and by 1945 would have produced a devastating deflation, possibly collapse. The islands have enjoyed a fabulously high standard of living among certain classes under American rule, as compared with other oriental countries. They are thus ill able to weather the consequences of a deflation scarcely paralleled

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in the past. Moreover, the seeds of agrarian revolt are already liberally sown in the Philippines through the tenant-farming system. Although the islands have good roads, schools, and some sanitation, the lot of the ordinary Filipino peasant—the *common tao*—is really not much better than before the American occupation. He still is rack-rented into the ground. The system of church landlordism makes him pay double and treble toll for the use of the land. A revolt of these peasants, the Sakdalistas, took place in May 1935, and hemmed Manila around with a ring of danger. Similar agrarian desperation helped explode the original Filipino revolution against Spanish authority, and it has been an underground basis for the independence agitation through the years since. All the woes of the peasants could be blamed on the American régime. Now that independence is on a time-table, the agrarian discontent can be turned against the visible present authority, the Commonwealth Government, plus the Church.

Nobody has told the Filipino people what consequences they may expect from loss of the American market. Should the tariffs take effect as scheduled, the subsequent outbursts in the islands might well be of the gravest extent, feeding on the same tinder that burnt in Mexico and Spain. Communism already exists in the islands, and would complicate an already grim picture. By 1940, too, the first exhilaration of autonomy would have worn away. Factional disputes among leaders are very familiar in the islands. President Quezon is building up a strong army, plainly for internal purposes. The Philippines need, and have always needed, a strong executive. But the borderline from that into a military dictatorship might easily and inescapably be passed under stress. Thereafter, the door is open to many eventualities. The internal stability of the islands would be gone.

The external picture would of course rapidly become equally disturbing. Revolts and perhaps revolution in the islands could hardly fail to be followed by intervention of

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some sort. If the United States did not march in again, then some Power with more immediate interests in the Far East would be certain to do so. The Philippines are a buffer-state between the Japanese archipelago and Malaya and Australasia, between the mandated islands and the rich and perilous waters at the center of which lies Singapore. It has been a godsend to the British Empire, to the Netherlands, and to France that the United States occupied this buffer-state. Prospective departure raises the most disturbing visions. Not only do the Philippines become a possible bone of contention or a responsibility to the adjacent empires, but their self-government arouses nascent nationalism in other areas. From the nearest Philippine island to the nearest British island of North Borneo it is precisely 11.4 statute miles, and only 11.3 statute miles to Borneo mainland. On the north, it is 61.4 statute miles from a Philippine island to a Japanese island. On the east, Palau, the nearest mandated island, is only some 500 miles from Mindanao.

III. A LAND TO COVET

THE Philippines are as alluring in resources as they are contiguous geographically to important empires. Since the days of storied Ophir, the Philippines have produced gold, but since 1933 development has so advanced that the islands are among the first seven gold-producing areas of the world. Though they probably will never rival the Witwatersrand, they seem now destined to be a stable, major gold-producing area. An iron deposit in Mindanao is estimated to contain 500 million tons of ore. Coal is mined in different localities, with one rich seam also in Mindanao. Copper is present. Oil sands are found, but there is no proof of great reserves. A manganese mine is in production. Millions of tons of high-grade, low-cost chromite ore are available. One deposit is estimated to be the world's largest single deposit of that mineral, and is

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indicative of a chromite-bearing belt through the entire length of the islands. No war-material is more eagerly sought.

Add to these rich mineral resources the agricultural production of the islands, and their potential wealth is apparent. The ubiquitous coconuts produce an oil valuable in the derivation of nitro-glycerine, as well as useful in soaps. Coconut shell makes the best charcoal for gas-masks. Manila hemp, the finest cordage in the world, will always be needed in the navies, although substitutes are more and more used for commercial binding. The abaca fibres—Manila hemp—are also useful in making Japan paper, with which the windows of the island empire are glazed. The Philippine sugar lands may not be able to compete with other areas as now managed; under a more spartan régime they might tell a different story. In Mindanao, and elsewhere, rubber and cotton can be grown to much advantage, thus offering an enormous further lure to one at least of the adjacent empires.

Couple this great mineral and agricultural wealth with the under-population of the Philippines, and you get down to the stark realities of the islands' place in potential Asiatic rivalries. Fourteen million Filipinos are spread out over more than one hundred thousand square miles. Japan, which has not very many more habitable miles than that, has one hundred million subjects jammed upon them. China, even more congested, also tends to force emigrating populations into the Philippines. At present there are laws forbidding Chinese immigration. How long these could be enforced if the Philippine Republic were under pressure is a hard question. Americans in the islands consider the population pressure from China, through infiltration, to be a threat to Philippine stability equal to any challenge that may come from Japan, taking the long view. The Chinese have contributed much blood that now courses vigorously through the veins of the best Filipino families. Since the Chou dynasty (1112-249 B.C.)

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traders from Cathay have filtered into the islands. They now control fully one-half of Philippine trade. But if the islands were inundated by cheap Chinese labor the consequences would be grave.

There is a potential Manchukuo in the Philippines. At the south-eastern end of Mindanao, second largest island of the archipelago, and the least developed, are the city and gulf of Davao. The soils are rich, with coastal plains sloping back into valuable hardwood growths, uplands where cattle can graze, and over the height of land a great plateau scarcely touched by men, where almost any agricultural product could be grown. It rains a little almost every afternoon; the region is free from typhoons; the temperatures are equable—on the plateau, which averages 2,000 feet above sea level, you need some bed covering every night. Mineral wealth is near at hand. Fish off the coasts are abundant. The scant population is mostly Moro or pagan.

In this sub-tropical paradise, three-quarters of the Japanese in the Philippines are concentrated. There are some 15,000 of them. Beside their city rises the highest mountain in the Philippines, Mount Apo, whose regular cone is reminiscent of Fujiyama. At its feet there is a New Japan. The town looks Japanese, the people speak that tongue, the signs and shops and schools and temples are all Japanese. There is a fine hospital, a Japanese association, a big consulate, a social center, and Japanese plantations and industries spreading into the hills. The Japanese have an efficient government of their own which functions within the provincial government.

It is by sheer industry and their genius for organization that the Japanese have turned a rich wilderness into the most important hemp-producing center in the world. The average Filipino, back in the hills, grows his abaca on a share-cropping basis. He will hack down the logs with his machete—the abaca plant looks like the banana tree, and it comes up again from the roots—and strip the fiber by hand, which is a cruel job. He will pack the fiber down to his

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landlord, leave his share, sell the rest to the factor in the nearest town, and plod back to the hills with practically no return for his labor. He has little incentive to expand or improve his production. The Japanese grow the hemp in great plantations, with good roads over which the logs are hauled by motor to the machine stripper. The fibers, dried and baled, are shipped direct to Japan for processing, or they may even go to cordage factories in distant countries. The whole process is rationalized and integrated. It is likely that within a very few years the Japanese will control an effective monopoly in the hemp market. And Manila hemp is the one product of the islands for which the world must always come. Attempts to develop Davao had previously been made by Filipinos and Americans. They had failed, largely because the brown or white promoters did not intend to do the hard physical labor themselves, but tried to supervise the pagan Mandayas and Bagobos of the region.

The plateau back of Davao holds even greater possibilities. To the north, an American company has a big pineapple plantation, but its people are not sure how long they can hold out. Otherwise, the plateau—perhaps 50 miles by 250 miles in one rich, rolling area—is practically untouched. Some Burma cattle range the wild cogon grass. Deep ravines, with ever-flowing streams, offer abundant potential water power. This is the area that the American rubber magnate, Harvey Firestone, first sought before he went to Liberia. He did not come here because of Philippine laws restricting big corporate holdings and the importation of cheap labor. The Japanese seem to get around the land laws well enough, and they can get plenty of labor.

Mindanao offers an almost ideal opening, therefore, to Japanese colonists and developers. Similarly in the other islands, though not quite so fruitfully, there is opportunity for great expansion. The Cagayan Valley, in northern Luzon, taps a rich region which is slightly developed. The mountains of Luzon and Mindanao, not to mention the

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lesser islands, have been surveyed in cursory fashion, but may contain riches as yet unsuspected. Mindanao, in the words of a recent brilliant vice-governor of the islands, Professor J. Ralston Hayden, may become either "a treasure house of national wealth or an island of national peril for the future Philippine Republic."

Davao may be the Manchukuo of the Philippines, but it is not the only entry into the islands that the Japanese have made. They are expanding rapidly in retail trade, where their cheaply produced goods give them a competitive chance with the experienced Chinese bazaar keepers. And the Filipino customers like Japanese goods. Japanese-Philippine trade is heavily unbalanced, imports into the Philippines amounting to nearly three times the sale of Philippine products into Japan. The Japanese got a big advantage when, during the Manchurian crisis, the Chinese merchants refused to sell Nipponese products, and the Filipinos went to the Japanese bazaars direct. The Japanese also pretty well dominate the fishing industry, through superior equipment and aptitude. Fish constitute one of the two staple foods of the Filipinos, and their waters are full of them, yet almost half of their supply they buy from the Japanese, and much of the rest comes in cans from the United States—salmon and sardines. No better evidence of the Filipino incapacity to take hold of business or industrial affairs could be offered. If the Japanese chose to bring pressure on the Filipinos by shutting off their fish supply, they could do so.

In many respects, the Philippine and the Japanese archipelagos make up complementary areas. The Philippines must be developed. The islands cry out for the energy, the genius, the organizing ability of somebody like the Japanese. If only the question of political dominance could be waived, and the affairs of these two groups of islands handled by a benevolent dictator, nothing could be better for both peoples than to have Japan take hold of the Philippines and shake things up. The United States did a great deal, but

1945 AND AFTER

Americans are no longer interested in colonizing, nor in digging long hours in the dirt. The United States has enough cotton, enough sugar from nearer home, enough rubber from other sources, and, while it can profitably use many Philippine products, it has no great need for them nor a population pressure to force Americans into the islands. Neither Filipinos nor Americans are likely to develop the big areas of the islands soon enough. The Filipinos are an interesting, a lovable, a cultured race. Their genius is politics. They love music and dancing. Being mostly of Malay blood, living in the tropics, they are not given to hard, unremitting toil, nor have they much organizing ability.

Taking a biological view of the situation, it would seem almost certain that the Japanese will come in. They need what the Philippines have to offer, and the Philippines need them. But will the coming of the Japanese be of a nature to permit the Philippines to work out their own destiny? Here, again, we are crystal-gazing. Perhaps it will. Perhaps the Japanese will come slowly. They have their political troubles elsewhere without violating Philippine soil. But in fifteen or twenty years it would be natural to see more and more Japanese colonies on Philippine soil, Japanese organizing ability directing some of the mines, the forests, and the plantations. If this outlet for hard-pressed Japan could be afforded in an area whose political integrity were guaranteed by the great Powers, led by the United States, then it might be a safety-valve for the whole Far East, and the Filipinos would derive economic benefit from their thrifty neighbors.

IV. 1945 AND AFTER

THIS is a dreamy picture. It is dependent upon getting the Philippines safely through their present transition phase. Two Philippine crises are already dated: the years 1940 and 1945. In 1940, unless the United States gives the

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islands a good trade agreement, their economy will be subjected to the rude shocks outlined earlier. Perhaps they can weather the storm, but it will be a veritable typhoon. It is more likely that the United States will agree to a so-so trade agreement, one that compromises between the interests of the Filipino exporters and the supposed interests of the American sugar-beet growers, cottonseed producers, and dairymen. Such an agreement might force the islands into more efficient methods of production without ruining them altogether, and thus enable them to penetrate other markets in the world. It would also stimulate diversification of crops. The economic pinch would doubtless make the Filipinos regret their independence bargain, and perhaps force them to plead for continuance of dominion status, which they would hope to involve better tariff terms.

Whether the United States is to take the Philippines again under its wing, in the form of dominion status, will be the question working into the Philippine crisis of *circa* 1945. No man can tell how American opinion will evolve in the meantime. Barring unforeseen events, no decision on this issue is necessary before 1945 or shortly earlier. The United States would certainly not accept the responsibilities of dominion status unless the Filipinos asked for it. Already, several influential Filipino leaders are urging this course. One Manila publication exists for the sole purpose of promoting the commonwealth. It is a bit early for ranking leaders, like President Quezon, to urge this course openly, but their friends assert that in private they all want to remain under the American flag, with self-government.

For the United States, the question will be complicated by selfish group interests. It was not altruistic interest in Philippine welfare, not a response to the constant pleading of Filipino independence delegations, but the crisis in American farming that in 1932 and 1933 forced the Congress to give the islands their freedom. And Cuban sugar interests, a sordid lobby springing from big New York banks with great investments there, had more than a small part in the

struggle. In 1933, when the Independence Law was first enacted, the Republican President Hoover and his leading Cabinet officials, with Mr. Stimson most prominent as a former Governor-General of the islands, opposed its passage with all their might. It was carried over the presidential veto, simply because the American farmers were down and out, and their lobbies were omnipotent. Since then, the farm lobbies have plucked a great many other plums from the tree. While not precisely surfeited, they have had a hearty meal, at least from the country's viewpoint. If in 1944 or thereabouts the farm lobbies are still well-fed, their influence is not likely to be so great as in 1933, and there would be a chance of extending the Philippine Commonwealth indefinitely. Other things, that is, being equal.

Outwardly seeming, this would be asking the United States to shoulder a burden in the Far East—the same old burden picked up again. But the question for the American people will be, both in 1940 in economic terms and in 1945 politically: "Which is likely to involve us in greater difficulty, to take out an insurance policy against instability in the Philippines, as dominion status might be, or to throw the islands into economic and political uncertainties?" Without economic viability, the islands are likely to suffer a political breakdown. If the United States pulls out ostentatiously in 1945, such instability might ensue that the Philippines would be the reagent precipitating the whole Far Eastern devil's brew. In face of that threat, it would be the less commitment, less of a burden, to take an insurance policy in the form of dominion status. The smaller responsibility would avoid the greater; for the collapse of the Philippines and a Far Eastern fracas would of course soon involve the United States. There are nine years in which to think it out.

NEUTRALITY TO-DAY

THE louder the rumours of war, the more talk there inevitably is about neutrality, what it means and how it may be preserved in the modern world. Ideas on this subject have changed profoundly in the past generation, mainly under the influence of two major developments—the inability of the United States to preserve her neutrality in the world war of 1914-18, and the signature of the League of Nations Covenant and the Kellogg Pact, which are both alike based on the fundamental hypothesis that war anywhere is the concern of every nation. On the one hand, those who hanker after neutrality as a general guide to national policy realise far more clearly the difficulties that have to be overcome, and the sacrifices that may have to be made, if the war from which they are to stand aloof is a world war; on the other hand, the greater number of the nations of the world have openly abandoned the strict theory of neutrality in wars that are less than world wars. The hope embodied in the Covenant was that this relinquishment of strict neutrality would itself serve to stamp out local wars and so prevent world wars, by instantly ranging the vast majority of nations on the side of the victim of aggression.

I. THE UNITED STATES AND NEUTRALITY

THE failure of the League to stop Italy's aggression in Abyssinia, by dashing that hope, has presented the pursuers of neutrality with a new and urgent set of problems. Setting aside the countries of Latin America who maintain neutrality under the shelter of the Monroe doctrine, there are three main groups of countries for whom neutrality is an important catchword in national politics :

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the United States, the European ex-neutrals of the last war, and certain of the Dominions of the British Commonwealth. The lessons of the Abyssinian crisis and its aftermath appear in a different light for each of these groups. The position of the United States, on that occasion, was not prejudiced by membership of the League of Nations, but it seemed likely to be prejudiced by the fact that the League's intervention, even if it did not turn a colonial conflict into a major naval war, might cause severe friction between the sanctionist Powers and countries supplying the aggressor with sinews of war. At the same time, the American signature to the Kellogg Pact, the existence of a certain volume of pro-League sentiment in the United States, and the personal predilections of the President, disposed the American Government towards helping rather than hindering the operation of sanctions.

The resultant of these forces was a presidential proclamation on October 5, 1935, under the hastily passed Neutrality Act of the previous August, banning the export of arms, ammunition and implements of war (including, incidentally, all aeroplanes and aircraft engines) to either belligerent, and admonishing United States citizens not to travel on ships of the belligerent countries; and statements by the President and Secretary of State (having no executive sanction) laying down the policy of the Administration as being to discourage the abnormal export of "materials that prolong the war". The raising of loans for Italy was already automatically barred by the Johnson Act directed against war debt defaulters. These moves must be viewed in relation to two important facts. First, the disinterestedness of the United States (which might be presumed as the foundation of a policy of strict neutrality) had been denied by the American Secretary of State in a statement to the press on July 12, in the course of which he said :

The Pact of Paris is no less binding now than when it was entered into by the sixty-three nations that are parties to it. By form

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and designation it constitutes a treaty by and among those nations. . . . The United States and the other nations are interested in the maintenance of the pact and the sanctity of the international commitments assumed thereby for the promotion and maintenance of peace among the nations of the world.*

Secondly, when the proclamations were made under the Neutrality Act, the League of Nations had already decided upon a collective policy of withholding arms and certain other military supplies from Italy, embargoing her exports and forbidding loans to her Government or nationals. In other words, the policy adopted by the United States at once safeguarded her own neutrality and operated against the violator of the Pact of Paris, because while it limited her own liabilities it enhanced the pressure exerted on the aggressor by the League of Nations.

The breakdown of economic sanctions has exposed to the United States the prospect of a situation in which this reconciliation would be by no means so easy. The League, in some future war, might not be attempting sanctions, in which event a ban by the United States on lending money or selling armaments to either belligerent, or using his ships, and the discouragement of "abnormal" exports to either belligerent, might merely give away trade to her competitors, while doing nothing to stop the war; or might even aid the aggressor if—an all too likely hypothesis—he relied less urgently than his victim on outside resources for the sinews of war. On the other hand, if the League pushed sanctions to the point of war, or if other than League considerations were dominant, the conflict might conform to the type neither of a local war—as between Italy and Abyssinia—nor of a police war—as might conceivably have occurred between a desperate Italy and an overwhelmingly superior combination of League Powers. In other words, what has to be envisaged is another world war like the last, fought between evenly balanced sides and involving all the major Powers of Europe and some beyond, including

* Quoted by Dulles and Armstrong in *Can we be Neutral?* (Council on Foreign Relations, New York), p. 154.

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the British Empire. In such a case the pursuit of neutrality by the United States would be far more difficult and would involve far greater sacrifices of trade and pride. The policy of *Caveat mercator* (let the trader look out for himself), which has been put forward as the key to a successful bid for neutrality, is painful and hazardous, and even so bears no guarantee of eventual success.

Hence, along with a huge stimulus to isolationism in the United States, there has gone a realisation that the nation's critical interest is that there should be no world war to put her neutrality policy to a test it might not be able to withstand. Messrs. Dulles and Armstrong, two leading American authorities on foreign affairs who have made a special study of this problem, conclude : *

'The duty to help prevent wars is not primarily one which the United States owes to other nations. It is a duty which we owe to ourselves and which our Government owes to its people. . . . That we should reserve independence of judgment and refuse to commit ourselves in advance regarding our course of action in individual situations is only prudent. But if those controlling the course of American foreign policy, whether in the executive or legislative branch, place the United States in a position where it could not use its influence on specific occasions to turn the balance in favor of peace, then they are the ones who would be taking the grave responsibility of exposing this country again to the dangers of war—not merely to the inconveniences caused by the fact that other peoples are at war, and not just to the common economic losses caused the whole world by any major modern war—but the risk of eventually being driven into war ourselves.

It is not only to the United States that these words apply.

II. THE EUROPEAN EX-NEUTRALS

THE ex-neutrals of Europe have also been set a new series of problems by the failure of sanctions in the Abyssinian case, and by the more general consequences that are flowing therefrom. Their general attitude towards the League has been that, while they desire it to be strong

* *Op. cit.* p. 120.

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as a bulwark for their own security and neutrality, they have never wished its strength to be drawn from commitments that might drag them into war over quarrels not their own. They consented to the imposition of economic sanctions—indeed they cordially supported it—so long as the risk of a League war was still round the corner, and so long as the conflict was far enough away to make it unlikely that they themselves would be the object of the aggressor's retaliation. If, for example, Great Britain and France had been drawn into war against Italy in defence of the Covenant, the Scandinavian States would admittedly have been unable to claim the rights of neutrals, since as members of the League they could not be impartial, and indeed were already actively taking sides; but they certainly hoped and expected that they would not have to furnish armed contingents or be obliged to fight in retort to attacks on their territory, ships or nationals. Switzerland—whose position in the League as a permanently neutralised State has always been equivocal—would not pledge herself, being a neighbour of Italy, to more than a dilute form of sanctions even in that flagrant case of international aggression.

Now that it has been shown that economic sanctions will not work unless backed up by superior force and by the readiness to use that force, the ex-neutrals of Europe have been placed in a difficulty. They clearly cannot be parties to a "reform" of the League that would tighten up the automatic obligations of all League members to take decisive action against the aggressor; for that would mean abandoning once and for all their goal of keeping themselves clear of war. On the other hand, they are reluctant to assent to abandoning the coercive clauses of the Covenant; for that would deprive them of a security guarantee in which since the war they have reposed probably more faith than any other group. It is highly significant that they have one and all embarked on extensive increases and improvements of their national armaments. They are inclined to favour plans of League reform that

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would divide the sanctions obligations into two parts : on the one hand, a series of regional security pacts, and on the other a general obligation to impose mild non-military sanctions, on condition that the regional pacts were operating and the directly interested Powers were already shouldering the really onerous burden. In this way the small ex-neutral Powers would combine the maximum of collective security for themselves with the minimum of commitment to fight in other countries' wars.

They realise, however, that if it came to another general European war their ability to keep out of it would fundamentally depend, as it depended in the last war, on the question whether it suited the book of both belligerents to trade with them—and allow them to trade with the enemy—rather than to fight them. This, indeed, is one of the keys to the whole problem of neutrality in a world of power-politics ; how to make sure that the balance of interest of every major participant in the war will be on the side of respecting the desiderated neutrality. The particular answer depends partly on economic facts, partly on the military strength of the would-be neutral, and partly, of course, on geography. Thus the problem is radically different for the United States, supplies from whom to the central Powers of Europe would have to run the gauntlet of narrow seas commanded by France and Great Britain, by contrast with the Scandinavian group and the Netherlands, whose communications with the central Powers could hardly be intercepted by any outside agency. It has yet to be shown that air power has made any decisive change in a power-complex that is in this aspect predominantly naval.

III. NEUTRALITY AND THE COMMONWEALTH

THE Dominions of the British Commonwealth share many of the characteristics of the European "neutral" group. They are small Powers, incapable alone of defending themselves against aggression by one of the great

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military dictatorships. They have even less direct interest in the issues likely to give rise to a European war. They are all members of the League of Nations, and like the ex-neutrals of Europe they have looked upon the League, not as a means of securing the maximum of allies for the right side in the next war, but as a means of seeing that no "next war" ever occurred. They too have been tempted by plans to break up regionally the major coercive obligations under the Covenant. It has always been Canada's attitude that Article 10 must be interpreted in this sense, and she came within an ace of securing an amendment of the Covenant in accordance with her views.

The Dominions also share some of the characteristics of the United States in this connection. Except for the Irish Free State, whose geography makes her case unique, they are all distant from Europe as well as disinterested in its more explosive immediate problems. Their membership of the Commonwealth apart, their trading relations with a warring Europe are bound to be dominated by the fact that they lie beyond the curtain of naval power enfolding the west of that continent. And, like the United States, but unlike their European colleagues among the smaller League members, they are directly concerned with the power complex in the Pacific Ocean and the possible threat of aggression by sea from Asia.

Thus, regarded as separate sovereign States, they face a problem of neutrality policy akin to the problem with which the United States is wrestling. But they cannot in fact be so regarded. Apart from the tremendous bonds of sentiment and blood and history, and the exceedingly close economic bonds too, that link them to the United Kingdom and to each other, they have an interest of national security that makes it practically impossible for them to be neutral as between the United Kingdom and a foreign Power if the former were seriously threatened. This fact is naturally somewhat galling to nationalistic sentiment in the Dominions, since it seems to imply

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(though falsely) that they must inevitably run at the heels of another country's policy. The difficulty is particularly acute in Canada and South Africa, partly because each of those Dominions contains a large element of non-British stock, partly because the security consideration is less obvious for them than for the Pacific Dominions. Hence the bitter controversies over rights of neutrality and (what must be implied therein) secession from the Commonwealth.

The dilemma has hitherto been circumvented, and the Dominion neutrality issue pushed into the background even in South Africa, by reference to the Covenant of the League of Nations. The self-governing members of the Commonwealth, it was frequently argued, were also members of the League; their foreign policies, being League policies, were bound to coincide with each other without being forced uncongenially into the mould carved by the strongest partner; if a crisis should arise, they would all alike be bound by the same general obligations under the Covenant. One of the most striking expressions of this argument was contained in the report of a sub-commission on "War and Neutrality" at the Toronto Conference on British Commonwealth Relations in 1933.*

Old conceptions as to the declaration of war and as to neutrality can have little if any place in the policies of the law-abiding nations. . . . In perhaps every case that can be imagined the machinery of the League or the obligations assumed under the Kellogg Pact will make clear to the nations of the Commonwealth the course that they should all pursue.

The failure of sanctions in a test case has obviously compelled the nations of the Commonwealth to think hard about their position in this particular respect. The formal obligations under the Covenant remain intact, but even if its coercive provisions are retained on paper it is clear that for some time to come their universal nature will remain a dead letter. And if they are not universal the virtue has gone out of them as a solvent of the problem of neutrality

* *British Commonwealth Relations* (Conference 1933). Published for Chatham House by the Oxford University Press. pp. 179-181.

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as between one part of the Commonwealth and another. There may have been something of mere magic in the League formula, but it was a magic that worked on the only occasion on which its efficacy was tested; for in spite of their varying national interests the Dominions all followed the lead of Great Britain at Geneva in imposing sanctions against Italy, and they split only when it came to the question of taking them off. Even in that case, however, there were hints of a possible inadequacy of the magic in the curious episodes of Mr. Mackenzie King's description of the Canadian delegate's initiative for an oil embargo as a personal suggestion* and of Mr. W. M. Hughes's "rustication" out of office in Australia for having incautiously stated that there is no such thing as an effective sanction that does not mean war, a proposition that seems to have been fully borne out by subsequent events.† Certainly the magic would lose its potency if the League obligations were carved up into regional pacts; for that might bring about a situation in which one or several of the members of the Commonwealth were regionally engaged while the others had no obligations under the Covenant to take part. This is one of the outstanding dangers of the regional solution for the British Commonwealth.

Whatever the outcome of the "reform of the League" may be, plainly the Dominions have to face in a far more realistic way than before the problem of their actual policy—as members of the Commonwealth, as members of the League, as separate nations—in the event of a major war in which the United Kingdom or others of their own number might be involved. There is evidence that those among their citizens who hope for neutrality are perceiving more vividly the huge and inevitable difficulties of such a policy. Here is the conclusion of a Canadian writer, Mr. Escott Reid, who has spared no pains in bringing the hard realities of the question to his countrymen's notice:

* See THE ROUND TABLE, No. 102, March 1936, p. 380.

† See THE ROUND TABLE, No. 102, March 1936, p. 399, and No. 103, June 1936, p. 621.

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If Canada wanted to remain neutral in a first-class war involving Great Britain, she would very probably have to forbid the export of arms and ammunition to Great Britain and all other belligerents; forbid Great Britain and all other belligerents from floating loans in Canada; and make it illegal for Canadians to enlist in the British forces or the forces of any other belligerent. If Canada were willing to do all that, as well as secede from the British Commonwealth, she could perhaps remain neutral. If she is not willing to go the whole way, she would probably not stay neutral for very long.*

If that is true of Canada, who lies so snugly in the strategic lee of the United States, how much more true it is of the more exposed Dominions. Hence the fact comes home to them—the same fact as the more far-seeing of American observers are seeking to bring home to the people of the United States—that an essential ingredient in a policy aimed at steering clear of war is an effort to prevent the outbreak of world wars. A world war, by definition, is a war in which Great Britain is involved. Hitherto the Dominions' effort in this direction has been made through support for the anti-war clauses of the League Covenant. The reconsideration of those clauses has placed their own policy in the melting pot. Are they prepared to guarantee the peace everywhere, recognising as they now must that this guarantee means a liability to go to war? If not, what liabilities will they undertake that are commensurate with their power and their national will, and that recognise their supreme interest in the prevention of world wars? These rather than theoretical questions about neutrality and constitutional status are the real issues before the Dominions. Both they and other would-be neutrals are realising that avoiding war is not merely a paper principle but an extremely hard practical task, which may be greatly eased if they face it in company with their fellow nations of like mind. A "League of Neutrals", including the whole of the British Commonwealth, is not beyond the borders of possibility.

* "Can Canada Remain Neutral?" in *Maclean's Magazine* (Toronto), May 1, 1936.

THE SOUTH-WEST AFRICA COMMISSION

THE Report of the South-West Africa Commission * was presented to the Union Parliament on June 12. It may be well to recall briefly the circumstances that led to the appointment of this Commission.† In the elections for the South-West Africa Assembly held in November 1934, the United party, representing the bulk of the Union section vote and the fifth-province policy, secured the two-thirds majority required for moving an amendment of the constitution. A resolution in favour of the administration of South-West Africa as a fifth province of the Union was passed in the Assembly at the end of November. In January 1935 a deputation was sent to Cape Town to interview the Prime Minister of the Union. Subsequently a Commission, consisting of Mr. Justice van Zyl, Mr. Justice van den Heever and Dr. J. E. Holloway, was appointed

to inquire into, and to report upon, the effectiveness of the existing form of government of the Territory, the reasons for the existing dissatisfaction therewith and the apparent failure thereof;

and secondly,

to consider, from a constitutional as well as state financial point of view, in what way the government of the Territory could best be regulated so as to secure a more efficient administration and a greater measure of content among the inhabitants, due regard being had to the character of the Territory as Mandated Territory. . . .

The terms of reference were wide, and the report now presented makes it clear that the Commissioners pursued their

* Union Government 26 of 1936.

† See THE ROUND TABLE, No. 98, March 1935, pp. 425 *et seq.*

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investigations over a wide field with patience and thoroughness. The results of these investigations can best be summarised under the headings of native affairs, finance, and constitutional problems.

I. NATIVE AFFAIRS

THE Commission did not allow the acute difficulties in which at present the white population of the Territory is involved to obscure the fact that, out of a population estimated at 267,000, only some 31,000 are Europeans. Apart from the numerical preponderance of the native and coloured population in the Territory, the mandate imposes upon the mandatory Power a very definite responsibility for the welfare and advancement of its native and coloured races. To this aspect of the situation in South-West Africa the Commission gave due attention in its investigations and due prominence in its report. It is clear that up to a point the mandatory Power has fulfilled its functions satisfactorily. It has brought peace and honest administration to peoples previously abandoned to the pursuit of tribal warfare in the north and rebellion in the south; and the evidence given, both by the Ovambos of the north and by the native and coloured groups in the southern portion of the Territory, is unanimous in admitting the benefits gained by the substitution of Union for German administration.

In Ovamboland, with its Bantu population of 107,000, the system of indirect rule through the chiefs has been maintained. Tribal life and custom have not been interfered with, except in so far as missionary influence has tended to tone down their cruder features, and a handful of white officials, by enforcing peace in place of tribal warfare, has given the Ovambos, a primitive but vigorous and not unintelligent race, the opportunity to make the best of their traditional way of life. The Commission, while reporting favourably on conditions in Ovamboland, recommends

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that in regard to education and medical services, which, such as they are, remain at present almost entirely in the hands of the missionaries, the Union Government should take a more direct and sympathetic interest if it is to promote the advancement of this native population; and it observes that

Ovamboland can serve as an excellent laboratory for the study both of indirect rule and of the effects on a primitive race of a gradual introduction of more advanced methods.

The southern portion of the Territory contains other native races whose tribal organisation, before the Union assumed the Mandate, had from one cause or another been crumbling. An attempt has been made in some cases to restore this organisation. Such a course was not possible in regard to the Damaras, who before the advent of the white men were serfs of the Hereros and now are widely scattered as servants of the white man on farms and in villages. But the Hereros, who had been badly broken in their conflicts with the Germans before the war, and the Hottentots, were still sufficiently coherent to admit of an attempt to rehabilitate their tribal life. Reserves have been set aside for them, breeding stock supplied, boreholes sunk, dams built, dairies established and vegetable gardens laid out, while this year a beginning is being made with education by the establishment of a government school in one of the reserves.

Some success and some progress have evidently attended these efforts; but a number of factors have hampered the work. A natural indolence of character and poor physique, impaired especially by the ravages of venereal disease, render the response of the natives themselves to these efforts disappointingly slow. On the other hand, a long and severe drought, coupled with the economic depression, has complicated and hampered the work that the Administration undertook on their behalf. Briefly, the impression conveyed by the Report is that in regard to these races the activities of the mandatory Power have been on the whole

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beneficent and based on sound principles, but impeded by circumstances beyond its control. Prosperity, however, has now returned to the Union, and the Commission is unanimous in recommending

that more active steps be taken by the Mandatory for the development of the Non-European races from their present backward condition . . . and that financial appropriations be made for this purpose.

II. FINANCE

WHEN we turn to the question of finance, we come to one of the fundamental problems of the Territory. Financial considerations have not only hampered the mandatory Power in fulfilling its task of promoting the advancement of the native races; they form also one of the main roots of dissatisfaction among the white population of the Territory. Neither under German rule nor since has South-West Africa been on a financially sound basis. The nature of the country and its climate make farming there a highly speculative and specialised undertaking, demanding intimate knowledge of local conditions and unlimited perseverance. Its two most valuable exports, diamonds and karakul, are luxury articles peculiarly sensitive to world conditions, and these have in recent years felt the full blast of the economic depression. Mining revenue, for example, which in 1925-26 produced £352,000, dropped in 1932-33 to £10,000. Drought and depression reduced even the old-established farmers to poverty; whilst the new settlers from the Union and the Angola Boers, whom the Union Government helped to establish in the Territory and who, given normal conditions, would in the opinion of the Commission have mostly proved suitable settlers, were caught by the storm before they found their feet and were reduced to extreme distress. Finally, outbreaks of foot-and-mouth disease closed the Union market for considerable periods to the cattle of the Territory.

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It may be urged that the years 1930-34 were years of exceptional depression and that in normal conditions the Territory might reasonably be expected to stand on its own feet. The Report, however, surveys the 14-year period from 1920 to 1934, a period that includes 10 prosperous years; and its conclusions do not encourage a belief that the Territory may prove a financially stable autonomous unit. The revenue of the Territory during this 14-year period averaged some £700,000 per annum, whilst the debt incurred to the Union Government, including interest-bearing capital expenditure on railways, amounted to more than £3,500,000. In 14 years, therefore, the Territory incurred, per head of the white population, a debt almost equal to that incurred by the Union in the whole period of its existence (£116 per head as compared with £135). Interest payments on this debt are a heavy drain upon the revenue of the Territory even in good years and necessitate the seeking of further loans from the mandatory Power. Economic distress and financial instability tend constantly to exacerbate the existing racial and political animosities in the Territory, and provide those who desire the incorporation of South-West Africa in the more prosperous and stable framework of the Union with bread-and-butter arguments which they are not slow to use.

Whatever the Territory's constitutional future may be, however, the Commission makes two main recommendations in regard to its finances. In the first place, in order to increase the revenue of the Territory and in fairness to the Union taxpayer, it suggests that income tax and personal tax, which have not hitherto been imposed in the Territory, should now be imposed, it being inequitable that the inhabitants of the Territory should be free of these forms of taxation when year after year their budget requires to be balanced by loans from the Union, where these taxes apply. Secondly, since the interests of good government require that financial assistance should be afforded to the Territory by the mandatory Power, such assistance must continue,

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but in a form that will not entail annual appropriations from the Territory's revenue for the service of the debt.

The form (says the Report) which such assistance may take should bear due regard to the character of the Territory as a Mandated Territory. The fact that the assets which may be created with the help of such financial assistance will not be assets of the Mandatory is a material point. We would favour the creation of a separate account which we would call the "Mandated Territory Development Account". The ownership of the assets of this account should vest in the Union government. All amounts voted by the Union Parliament for the assistance of the Territory should be credited to the account, from which issues should be made under Parliamentary appropriation. Interest and redemption on loans made in the Territory out of monies so appropriated should be credited to the account.

This proposal, by relieving the revenue of the Territory from the burden of annual debt payments, may well help to break the present vicious circle of deficit and loan.

III. THE FUTURE OF THE TERRITORY

FINALLY, let us consider the constitutional problems of the Territory. In regard to the administration of the native peoples, for which the Union Government through its Administrator is directly responsible, the Commission, as we have seen, levelled such criticism as it had to make at the inadequacy of the Mandatory's constructive contribution towards native advancement: the form of administration it regards as satisfactory. When, however, it surveys the form of government at present enjoyed by the white population, it has a different tale to tell. It finds unanimously that the present form of government is a failure and should be abolished.

After the withdrawal of martial law in 1920, the Territory was till 1926 governed by an Administrator with full legislative and executive powers appointed by the Union Government. He had the assistance of an Advisory Council on which the German and Union sections of the population were equally represented. During the greater

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part of this time these two sections of the community, unhampered by politics, worked amicably together on economic lines for the development of the Territory. Demands began to be made, however, for a more popular form of government, and in 1926 the South-West Africa Constitution Act came into force. It granted the European population of the Territory a modified form of representative government, with a Legislative Assembly of 18 members (12 elected and 6 nominated), an Executive Committee consisting of the Administrator with four other persons chosen by the Legislative Assembly, and an Advisory Council of eight members to advise the Administrator on matters outside the competence of the Legislative Assembly. In order to acquire the franchise it was necessary for the German section of the population to become naturalised Union subjects: partly under the influence of the German Government, all but 300 out of the 2,000 male Germans then in the Territory accepted automatic naturalisation.

Soon, however, politics came to be embittered by racialism and parties grouped themselves on racial lines. To the Germans their naturalisation seemed to break the last link with the Fatherland, and the application to the Territory shortly afterwards of the Union's new Naturalisation Act of 1926, requiring five instead of two years' residence as a qualification for naturalisation and therefore for the franchise, seemed to them to be a breach of faith which placed the German immigrant at a serious disadvantage as compared with immigrants from the Union. This action by the Union Government, together with the refusal to make German an official language, the steady increase in immigration from the Union, and the Union-aided settlement of the Angola Boers in the Territory, seemed to the Germans part and parcel of a policy designed to swamp the German element in the Territory and so lead ultimately to abolition of the mandate and annexation by the Union. Political friction was incessant, until in

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1931-32 attempts were made by members of both sections to compose their differences with a view to securing from the Union Government extended powers for the Legislature and Executive of the Territory. The attempts, however, broke down, racial passions became more inflamed, and in 1933 occurred the event that has rendered all hope of German co-operation in the Territory futile: in January of that year the National Socialist party attained power in Germany.

Both inside Europe and outside, Nazism has created a *terra irredenta* in almost every area beyond the frontiers of the present Reich where Germans are settled. Colonial claims have for the past few years figured more and more prominently in the Nazi programme, and the handful of Germans in South-West Africa have learnt, not without instruction from Berlin, to regard themselves as an outpost garrison holding the fort in Africa against the day when Germany once more becomes a colonial Power. An account of events in the Territory during the years 1933-34 will be found in an earlier issue of *THE ROUND TABLE*.^{*} Briefly, the Nazi leaders in the Territory effected by the usual methods the Nazification of German political, cultural, educational and youth organisations in South-West Africa, the purpose and method being succinctly described by the Nazi Territorial Leader in writing to a party subordinate:

Our object here is to drum Hitler's programme into the Germans here to make a fight for the return of South-West to Germany as soon as possible, by calling everyone a traitor, and treating as a traitor, everyone who does not think and act similarly. The territorial group keeps in touch with the authorities of the Homeland.

The suppression of the Nazi organisation in the Territory in October 1934 has not, in the opinion of the Commission, substantially altered the position. Nazi activities continue in disguise and, politically, have concentrated themselves behind cover of the Deutsche Bund,

^{*} No. 98, March 1935, pp. 426-429.

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the official political organ of the Germans of the Territory. The Bund, indeed, is Nazi in all but name. As the Report observes :

The Bund, as a whole, is pledged to trim its policy according to directions received from Germany. There is no room for individual thought or action in the Bund. It has become a voting machine pledged to political and, at that, foreign dictation; the individual is dragged into conformity by threats of reprisal and persecution. The situation has become impossible. It leaves no room for co-operation between the democratic Union section and the German element organised into a Nazi complex, which, through an ordered hierarchy, owes unquestioning obedience and allegiance to the head of a foreign State.

The mass of evidence presented to the Commission on this subject makes it clear that, however correct the official instructions of the German Government to its representatives in the Territory against interference in the Territory's internal affairs, the Germans of South-West Africa have been successfully seduced from their allegiance to the mandatory Power. There as elsewhere Nazism regards the officially spoken or written word merely as a convenient smoke-screen for action and as a plea in defence in case the action is discovered.

Such, then, is the present political situation in the Territory—impossible, as the Report describes it. Political autonomy cannot succeed without the willing co-operation of both sections of the white population. As things are at present the German section is pledged body and soul to further the interests of a foreign State whose political system is the negation of democracy; whilst the Union section not only desires for economic and sentimental reasons incorporation in the Union, but also, as Mr. Justice van den Heever remarks in his Memorandum, has failed at times to display that sense of political responsibility which would justify the continued exercise of the privilege of self-government. The Commission is therefore unanimous in recommending that the present constitution be abolished; it also finds unanimously that “there

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is no legal obstacle to the government of the Mandated Territory as a province of the Union subject to the Mandate."

At this point, however, unanimity ends. Each of the three commissioners contributes a memorandum setting forth his recommendations for the future administration of the Territory. The Chairman, Mr. Justice van Zyl, favours the fifth-province policy, with direct control by the Union departments, representation of South-West Africa in the Union Parliament, and local administration by a provincial council after the fashion of the other four provinces. Closer association with the Union would, he thinks, benefit the Territory, in that it would share with the other provinces the direct attention and financial favours of the Union Government; in view of the probable long continuance of the mandate the Union would ultimately profit by turning the Territory into an asset within the framework of the Union; as far as politics are concerned, representation of the Territory in the Union Parliament and a scrupulous observance of the terms of the mandate might eventually wean the German section to friendlier co-operation; finally, such a form of administration would help to remove the uncertainty as to the future of the Territory which at present lies at the root of much of the political tension in South-West Africa.

The second member of the Commission, Mr. Justice van den Heever, dissents from this view. Incorporation would be effected in face of the opposition of nearly half the small white population of the Territory. Furthermore,

South-West Africa is a new and undeveloped country. . . . To apply the pattern of Union administration to South-West Africa would be to put new wine into old skins. Many of the Territory's difficulties are due to the fact that its administration and its social services were to a certain extent modelled on those of the Union. To apply to it the forms of government and the policies of an older and more settled community would be to burden it with over-administration.

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He considers therefore that the Schedule to the Act of Union providing for the administration of backward territories upon their transfer to the Union should be applied. Under such an arrangement the Territory would be administered by a Resident Commissioner, responsible to the Prime Minister or some other specially nominated Union Minister with an Advisory Commission. Legislation for the Territory would be in the hands of the Governor-General in Council, subject to the approval of the Union Parliament.

The third member, Dr. Holloway, viewing the deprivation of the white citizens of the Territory of all representative institutions as a retrograde step out of accord with the democratic traditions of the Union, advocates a compromise between the two extremes recommended by his colleagues. He would like to see native affairs, land settlement, mining, justice and police administration integrated with those departments of Union administration. Control of the budget should be exercised by the Union Department of Finance; education, a peculiarly controversial subject in the Territory, should be vested in the Administrator, who would be subject to the financial control exercised by the Union Government through the budget. Other matters of a less controversial nature and less likely to excite racial passions, such as agriculture, public works, postal services, roads and bridges and other local government activities, should be left in the control of a local legislature, with a view to building up among the inhabitants of the Territory some experience of self-government untainted by racial animosity.

Such, then, are some of the main findings and recommendations of the South-West Africa Commission. The Report is of great interest, not only for the light it throws on the working of a mandate, but also for its lucid account of conditions in one of the most controversial areas in Africa. It is unfortunate that in regard to its most important task, that of making recommendations

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as to the political future of the Territory, unanimity is absent. The course of action likely to be taken by the Union Government is impossible to forecast. But the matter is urgent; for the political tension in the Territory is constantly aggravated by the uncertainty of the political future, and it is vital for the Union to make up its mind on the subject, before Nazi colonial ambitions pass from the realm of propaganda to that of action.

MR. DE VALERA CHANGES FRONT

I. THE NEW CONSTITUTION

EARLY in May Mr. de Valera returned to Dublin from Zurich, where one of his eyes had been operated on for cataract. His sight is said to be improved, but it is understood that treatment of his other eye will be necessary later. His return, as had been expected, was at once followed by the abolition of the Senate. His dexterity in suddenly changing his political front has never been better exemplified than by what followed. For two years he has conducted a campaign for the abolition of the Senate. But when the final debate on the abolition Bill took place in the Dail on May 28 he calmly announced that the door was not definitely closed; whether the new constitution, which he proposes to introduce in the autumn, would be based on the principle of one chamber or two would depend, he said, on whether it was possible to devise a second chamber that could be of value and not a danger. Whether the danger was to the State or to the Fianna Fail party was not made clear. Later in the same debate he promised to consider a suggestion, made by Mr. James Dillon, T.D., one of the Opposition leaders, that the question should be referred to a commission to devise a workable scheme. A somewhat similar suggestion made by the Senate for a conference between the two Houses had been ignored by the Government. To students of Mr. de Valera's methods it then became obvious that his real object, the destruction of the existing Senate, having been attained, the question whether we were to have a second chamber or not would eventually be answered in

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the affirmative. Other forces have no doubt helped to change his mind; for both the Catholic Church and commercial interests are thoroughly alarmed at the prospect of a single-chamber government and have probably made their voices heard behind the scenes.

A few days later it became known that the Government had approached Mr. Cosgrave and asked him to nominate some members of his party to serve on the proposed commission. This Mr. Cosgrave refused to do, on the grounds that his party had always been in favour of a second chamber and therefore saw no necessity for the proposed commission, and that it was only a tactical move to save Mr. de Valera's face. In spite of this rebuff, Mr. de Valera decided to proceed with the project, and on June 9 the personnel of the commission was announced. It consists of twenty-two members presided over by the Chief Justice, Mr. Hugh Kennedy, K.C., and is quite representative, although naturally it has a majority of Government supporters. Amongst the other members are five Independents, two civil servants, and three unofficial representatives of Mr. Cosgrave's party. The commission includes five members of the old Senate, namely, Mr. Joseph Connolly, former Minister for Lands and recently appointed head of the Board of Works, Sir John Keane, Mr. S. L. Browne, K.C., a distinguished lawyer, Mr. Thomas Johnson, one of the leaders of the Labour party, and Mr. Richard Wilson, a representative farmer. The independent members include two of the Dail members for Trinity College, Professor Thrift and Dr. Rowlette; three of the professors of the National University, Professor Daniel Binchy, formerly Free State Minister in Germany, Professor Michael Tierney, one of our clearest political thinkers, and Professor Alfred O'Rahilly, who was one of the committee that drafted the original constitution; and last but by no means least Mr. Frank MacDermot, T.D., who is undoubtedly the cleverest and most courageous Independent member of the Dail. The Commission has

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already held several sittings, and there can be little doubt that it will present a report in favour of a second chamber, which the Government after due consideration will accept, with or without modification. Its terms of reference are to consider and make recommendations as to what should be the functions, powers, number, qualifications, method of selection, period of office and payment of a second chamber if the Government decides to make provision for such a chamber in the constitution. The position now apparently is that, while the Opposition is definitely in favour of a second chamber, the Government, now that the obnoxious Senate has been abolished, is willing to be convinced of its necessity.

The urgency for a decision on the question arises from the fact that the proposals for a new constitution are to be shortly embodied in a Bill, which before it becomes operative is to be submitted for the people's approval by way of referendum or general election. Mr. de Valera believes he can now formulate a constitution which, at least as far as internal affairs are concerned, will be practically permanent in form, and he has appealed to all parties to co-operate in this work. He thinks that the new constitution should not be open to change without a referendum or special constituent assembly, and that the existing position, in which it can be changed by the act of the legislature alone, should cease. Our present constitution was drafted after a revolution and brought into force during a civil war. Instead of representing the agreement of our best political thinkers, it was a complicated compromise hastily conceived and painfully delivered. For this its political parents cannot be blamed. They were the servants of necessity and the victims of circumstances. They aimed at rigidity in its framework and achieved fluidity. It included various elaborate political devices that have proved unworkable. In a very conservative, patriarchal, agricultural country it set up a most elaborate democratic system of government with inadequate safe-

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guards against its abuse. The miracle is that it has worked so well.

The Senate was designed on the alternating model, the dominant party in the Dail securing control after a preliminary period. It did not function properly because the Fianna Fail party did not enter the Dail till 1927, and because the first nominated Senate, owing to the civil war, was not fully representative of all parties. It has been abolished because it was critical of the Government's policy just as it was coming under their control. On a long view, it saved the Government from themselves. Its presence prevented them from repealing the Public Safety Act when they were first elected, and without this Act they would now be unable to govern the country. Its rejection of the Bill for the abolition of the oath of allegiance enabled Anglo-Irish relations to adjust themselves during a very difficult period. Finally, its rejection of the Uniforms Bill, aimed at the Blue Shirt movement, probably saved the country from serious disturbance. This Bill has now been quietly dropped, although its rejection was the immediate cause of the abolition of the Senate. The real case against the late Senate was that it was too weak rather than too strong. It allowed some of the worst legislation of both the Cosgrave and de Valera Governments to pass without effective protest or amendment. From the welter of controversy surrounding its demise two facts emerge: first, that the ideal Senate, which Mr. de Valera sighs for, is no more obtainable than an ideal Dail; and second that a second chamber of some kind, with effective powers of delay, is better than none. This power of delay, as the history of the late Senate proves, is the root of the matter. A second chamber without it will be merely an expensive political toy and an asylum for old party hacks.

Speaking in the Dail on June 24, Mr. de Valera said that in the new constitution they proposed to abolish the office of Governor-General and substitute for that functionary an elected representative of the people, above

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party, who would be the ceremonial head of the State and the supreme guardian of our constitutional rights. It is clear that by this step he proposes to commit one more glaring breach of the Treaty, but that no longer occasions any surprise. No doubt when this has been done he will claim that the Free State is only externally associated with Great Britain, and that he has gone as far towards a republic as is possible under existing conditions. It remains to be seen whether he also intends to eliminate the King entirely from the constitution, as this of course would destroy an essential element in membership of the British Commonwealth. There remains the question who the new head of the State, presumably to be called the President, is to be, and what are to be his powers. If he is really to be the guardian of our constitutional rights, what is to be the function of the Supreme Court? These and many other important questions cannot be answered until the draft constitution is published. His personality need not, however, be in doubt; for it is reasonably certain that Mr. de Valera has decided that only one person can successfully fill the bill, namely himself. In such a position he might well await the result of a general election with equanimity, since the office of President would doubtless be guaranteed, at least for a considerable period, against political assault. It is therefore not impossible that we shall shortly have to consult our dictionaries for an emasculated Gaelic equivalent of the title *Führer*.

The results of the recent urban elections prove that Mr. de Valera may indeed be wise in consolidating his position; but if he becomes the non-party head of the State his party will not long survive. They unwisely insisted on introducing politics into these contests, particularly in Dublin, where they were determined, by hook or by crook, to prevent the election of the popular Lord Mayor, Alderman Alfred Byrne, who is almost as well known in Ireland as Mr. de Valera himself. In order to make success certain they abolished the special commercial

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register, which enabled the business community to return five members to the Dublin Corporation, and also admitted all citizens over twenty-one to the municipal franchise. In addition, several members of the Government threw themselves violently into the fray. The Lord Mayor, who is a man of tremendous courage and energy, and (although an Independent) a friend and supporter of Mr. Cosgrave, took up the challenge, and, with the assistance of the United Ireland party, completely routed the Government candidates. Of the thirty-five successful candidates no fewer than twenty are his supporters, and his re-election as Lord Mayor followed. The United Ireland party are now the largest party in the Dublin Corporation. It is clear that if the Government wish to defeat "Alfie" Byrne, as he is popularly known, they will first have to abolish the Dublin voters. It is interesting to note that among his alleged misdemeanours was the fact that he attended King George's funeral as representative of the people of Dublin when Mr. de Valera had not the courage to go.

The result of the Dublin elections is all the more remarkable in that Dublin has benefited more than any other portion of the country by the industrial expansion policy of the Government and has not suffered like the agricultural districts. In Cork and other places the Government candidates also fared badly. Parnell once said that "what Dublin says to-day Ireland will say to-morrow", but it would be foolish to imagine that any real comparison is possible between a municipal and a parliamentary election. In the present state of the United Ireland party's organisation, it is doubtful if the Government would be turned out of office at a general election; for Mr. de Valera's power and prestige are still great. The Lord Mayor of Dublin's victory has proved, however, that Fianna Fail is losing ground and might well be defeated if the United Ireland party were properly organised and put forward a definite policy, which, whilst preserving our national rights, aimed at friendly co-operation with Great Britain.

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Mr. James Dillon, who is one of its ablest members, speaking in the Dail on July 9, indicated an approach to such a policy. He said that the greatest crime Mr. de Valera had perpetrated against Ireland was that he had used all his powers to persuade the people that national sovereignty and independence were inseparable from the conception of a republic, and that unless they had a republic they could not have national sovereignty. That statement was false. It was, he said, because the Opposition believed that the national sovereignty of this country and its traditional claim to independence were effectively vindicated by membership of the British Commonwealth that they stood for that constitutional position. He submitted that the only effective means of vindicating the right of this country to be sovereign and independent, the only effective means of securing the unity of Ireland, and the only effective means of maintaining these things for all time against the aggression of any European Power, or even Great Britain herself, was to establish and maintain their position as a sovereign State within the Commonwealth. Mr. Dillon's speech proves that the United Ireland party is prepared to fight for the things that really matter, and that must be the aim of every Irishman who is not purblind with hatred.

That party and the entire nation have suffered an irreparable loss from the tragic death of Mr. Patrick Hogan, T.D., in a motor accident on July 14. Mr. Hogan, who was Minister for Agriculture in the Cosgrave Government, was a man of great ability and integrity. While in office he taught the Irish farmers the necessity for careful and efficient marketing of their products and scientific stock-breeding. He was also responsible for the Act that completed land purchase on a compulsory basis. A solicitor by profession, he was also a practical farmer, and, what is rare, combined an educated mind with agricultural experience. He disbelieved in the extreme manifestations of economic nationalism now so popular, and, like his friend Kevin O'Higgins, he was an outspoken critic of political

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humbug. Although he had lately taken small part in politics, his counsel and courage will be sadly missed in our national life.

II. THE GOVERNMENT AND THE I.R.A.

IT is not only as regards the question of a second chamber that Mr. de Valera's policy has changed. His attitude towards the so-called Irish Republican Army had, until recently, been almost one of benevolent complaisance. The first action of his Government after its election in 1932 was to make a general gaol delivery of I.R.A. members, and to suspend the Public Safety Act, which had been passed shortly before by Mr. Cosgrave's Government in order to stop the campaign of crime then being carried on by that organisation.* Speaking in the Dail on March 14, 1929, he said that the right of the Dail to be regarded as the legitimate government was faulty, and that the I.R.A. could claim the same continuity as his own party had claimed up to 1925. In October 1931, during the debate on the Public Safety Act, he referred to them as "brave men for whom we should have decent respect". He apparently was simple enough to believe that once the oath of allegiance was abolished these "brave men" would drop their terrorist activities and become respectable politicians like himself, but of course they had no more intention of doing so than they have now of accepting his new constitution.

Since the murders † of Admiral Somerville and the boy Egan it has become obvious that unless the Government made up its mind to deal firmly with this organisation the country would relapse into anarchy. These crimes were soon followed by wholesale arrests of I.R.A. leaders throughout the country and their trial before the Military Tribunal on charges of refusing to answer questions framed

* See THE ROUND TABLE, No. 85, December 1932, p. 143.

† See THE ROUND TABLE, No. 103, June 1936, pp. 582-583.

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under the Public Safety Act. On May 21 Mr. Maurice Twomey, the leader of the I.R.A., who has been evading arrest for some time, was arrested, ludicrously enough, as he was leaving a church after attending mass! He was duly tried by the Military Tribunal on June 19 and found guilty of being a member of "an unlawful association which without lawful authority purported to maintain an armed force," and of refusing to give an account of his movements. He was sentenced to three years' imprisonment. Evidence was given by the police that after his detention his house was searched and various documents were found relating to the Republican Army organisation, including one to the effect that "the I.O. South Kilkenny reports that the battalion O.C. and the battalion adjutant were questioned in connection with the Dungarvan shooting." This was a reference to the murder of Egan, for which a motor mechanic from Clonmel named Michael Conway was tried by the Military Tribunal on July 16 and sentenced to death. The accused refused to recognise the Court or employ professional assistance. The principal evidence against him was a fingerprint found on the abandoned car in which the murderers had fled. The death sentence was almost immediately commuted by the Government to penal servitude for life.

On June 19 the Government issued a proclamation under the Public Safety Act banning the I.R.A. as an illegal organisation and prohibiting the annual pilgrimage of that body to the grave of Wolfe Tone at Bodenstown on the following Sunday, June 21. It is interesting to recall that just five years ago the Cosgrave Government proclaimed a similar demonstration at Bodenstown, which was to have been held by Mr. de Valera and his followers in conjunction with the I.R.A.* The wheel has indeed come full circle. On this occasion Mr. de Valera took no chances. The approaches to Bodenstown were held by strong forces of military and police, with aeroplanes flying overhead;

* See THE ROUND TABLE, No. 84, September 1932, p. 853.

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all special trains and omnibuses were cancelled, and civilians were warned to keep away from the district. There was no trouble at Bodinstown, and Wolfe Tone's remains were for once left to rest in peace. But in Dublin street fighting took place between the Civic Guards and republican sympathisers, without serious results. That the Government is beginning to realise the value of the well-disciplined army it inherited from the Cosgrave Administration is obvious from the recent public statement of Mr. Aiken, the Minister for Defence, made at a military parade at Bodinstown on June 14, that but for their loyalty and discipline the Government would not have been able to continue its work or to meet the troubles with which it has been faced.

In a remarkable speech at Balbriggan on June 21 Mr. MacEntee, the Minister for Finance, defined the attitude of the Government towards the I.R.A. He said that the decision to declare that body an unlawful association had not been taken lightly but only after the most careful consideration of all the circumstances. In dealing hitherto with members of this and other organisations who had been guilty of acts of violence, the Government, he said, had been merciful and considerate. Because of circumstances that had their origin in the struggle for independence and the civil war, they had been anxious to deal leniently with people whose unbalanced judgment or unreasoning antipathies had led them into violent courses. That leniency, however, had been abused, and that consideration had been interpreted, by those to whom it had been shown, as weakness. They and their followers had now come to believe that an individual had only to declare that he was a member of the I.R.A., and a soldier, forsooth, of the republic, and he became at once the dictator of the parish, indemnified against the consequences of any crime he chose to commit, and licensed to kill human beings as if they were so many rabbits. Henceforward if anyone interfered with the person or property of his fellows he

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would have to be prepared to face the full rigour of the law. The Government could not do any less and fulfil its primary duty. In these matters there could be but one authority, the lawful government set up by the people. Another organisation had deliberately challenged the authority of the people and had endeavoured to arrogate to itself the power of life and death. By this it had declared war on the community as a whole. If ordered life in this country was to continue, that arrogant challenge must be met and broken. After referring to the murders that have recently taken place, Mr. MacEntee went on to say that there was no excuse for them because the electorate was free for any man or party to put a policy before it, and if successful to become the government of the country.

These clear and very necessary declarations have not been made a moment too soon. On several occasions the leaders of the United Ireland party have assured the Government that it would have their full support in such a policy, and there was no excuse for the delay that has taken place in putting it into force. As Dr. O'Higgins, T.D., has lately pointed out, these murders are the direct result of the policy preached by Mr. de Valera and his colleagues from 1923 to 1932. Even Mr. de Valera himself is apparently becoming conscious of this fact, because he stated in the Dail on June 23 that if his Government's policy towards the I.R.A. had led to murder he regretted it, and he added that in the new constitution means would be provided for dealing with that organisation. It certainly seems that Admiral Somerville has not died in vain and that the country, which he loved, will benefit by the firm administration of the law in future. On July 9 Mr. Donal O'Donoghue, the editor of *An Phoblacht* (The Republic), which is the organ of the I.R.A., was arrested. Its offices have been closed and several recent issues suppressed. The Government also proclaimed as illegal a commission set up by the Republican party to inquire into the treatment of the I.R.A. prisoners, who now are over one

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hundred in number, confined in military prisons. It certainly seems as if the Government has at last burnt its boats so far as the I.R.A. are concerned, and it was high time it did so.

As was to be expected, this sudden change of front has caused murmurings in the Fianna Fail party, whose more truculent stalwarts find it difficult to understand why their good friends the I.R.A. have suddenly become anathema. The party whip, however, is powerful, and so far only one serious defection has taken place, that of Mr. Tom Hales, T.D., one of the deputies for West Cork and a prominent fighter in the guerilla war against Great Britain. He has resigned from the Fianna Fail party on the ground that he cannot support the methods adopted by the Government against the I.R.A. It is interesting to note that certain English supporters of liberty are also upset at the similar methods adopted by the Government of Northern Ireland. For once Lord Craigavon and Mr. de Valera are in the same boat, a fact that ought to bring home to outside critics that Ireland cannot be governed by English methods.

III. EXTERNAL AFFAIRS

ON June 18 Mr. de Valera made two important speeches in the Dail, at the opening and close of the debate, in his capacity as Minister for External Affairs. In this arena also, the pressure of events has forced him to change his position. He said that the Government were satisfied that the League of Nations no longer commanded the confidence of the ordinary people in the world, that the nations were not ready to apply military sanctions, which in the last resort were essential to success, and that as far as Abyssinia was concerned the continuance of sanctions in any form would serve no good purpose. He added that he thought Mr. Eden had done his best and was now right in proposing their removal. Their failure was due, he said, to the hesitancy of France, who shrank from

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action that might well mean war. He indicated that the League could only survive as a forum for discussion, conciliation, and perhaps arbitration. At present it had set itself a task beyond its powers to accomplish, and nothing that could be put in its place would do what the League had failed to do—a Commonwealth of Europe would be much better. He gave the British Commonwealth as an example of what could be accomplished by voluntary co-operation without compulsion and without any set law to govern it.

Speaking in the League Assembly at Geneva on July 2, he stressed the bitter humiliation they felt at having to confess publicly that they must abandon the victim to his fate. He then spoke of the folly of giving way to despair and the equal folly of going on as though nothing had happened. He suggested that commitments should be restricted to those which the nations knew they could loyally carry out. It was obvious, he said, that financial and economic sanctions were useless unless backed up by military sanctions, but not one of the fifty nations at Geneva was prepared to go to war in the present dispute. Europe, he continued, was obviously the danger point, and they should set about the urgent task of preserving peace there, leaving aside for the moment such questions as the alteration of the Covenant. If, he went on, the great Powers would make now one tithe of the sacrifices they would have to make in war the terrible menace threatening them all could be warded off. Statesmen, not soldiers, must settle Europe's problems. In conclusion he urged the small Powers, as their best service to peace, to resolve never to become the tool of any great Power and be forced into war.

Mr. Dillon, speaking for the Opposition in the Dail on July 9, complained that Mr. de Valera did not put his precepts into practice as far as the dispute with Great Britain was concerned, and pointed out that whereas at Geneva he advocated the settlement of matters of principle

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before war started, at home they had the war first and conferences afterwards. On this issue, unfortunately, Mr. de Valera shows little change of mind, although it is obvious that he is anxious to discover a way out of the position in which he finds himself. In the speeches on external affairs already referred to, he reiterated that his Government would not allow the Free State to be used as a base for attack on Great Britain. He even stated that if Great Britain was declared an aggressor they would not attempt to apply sanctions, and he argued very sensibly that a planned system of mutual defence was vital to both Great Britain and Ireland. But he added that this could only be attained if the unity and independence of Ireland were recognised and the British garrisons withdrawn from the occupied Irish ports. The fundamental thing, he said, was to try to get their people and the people of Great Britain to realise that they had certain common interests which could best be served if each nation allowed the other to go its way in peace, and that when their co-operation was in question each should admit the rights of the other and should see how best they could co-operate.

These statements show that, although anxious to co-operate with Great Britain on his own terms, and fully aware of the necessity for co-operation, he does not or will not admit the realities of the situation. It is quite useless to talk as if Northern Ireland and the problems it represents did not exist. Moreover, as the Opposition pointed out in the subsequent debate, it is strategic necessities * rather than doctrinaire niceties that will govern our fate in a European war. It would, therefore, be better for us to compose our difficulties with Great Britain at once, and to realise that we cannot remain neutral in a struggle in which she is involved. On the question of the economic dispute with Great Britain Mr. de Valera had nothing new or useful to say. He repeated, what indeed is already obvious from their acts, that his Government were

* See THE ROUND TABLE, No. 103, June 1936, pp. 584 *et seq.*

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prepared to deal with the trade question and the financial question separately, but that the British Government for their own reasons wanted to link them with the settlement of the political question. There could, he said, be no genuine lasting peace between Great Britain and ourselves as long as a portion of this country was unjustly divided from the rest. As regards the annuities, he claimed that his Government were retaining moneys which they were satisfied belonged to the Irish people, and if the alternatives were to continue as they were or to pay over those moneys, they would continue as they were. All of which leaves things almost exactly as before.

Nevertheless, owing to the trade agreement with Great Britain, there has been a substantial improvement in the volume of trade and the price of live stock. For the twelve months ended May 1936 the visible adverse trade balance has declined by over three million pounds, and both exports and imports have shown a small, though steady, improvement since the beginning of this year. The cost of living, however, has been seriously increased by the multitude of tariffs, which bear heavily and insidiously on all classes and seriously hamper the normal flow of trade. These tariffs have given additional employment to 15,300 people during the last three years, but their average wage is only 18s. 7d per week. The Catholic Bishop of Cork, the Most Reverend Dr. Cohalan, who has never hesitated to speak his mind, has recently stated that the small farmers in the west are in a dreadful condition, and are suffering a terrible injustice because the British Government collected the land annuities by tariffs and the Free State Government then demanded a second payment of half the debt. The special duties collected by the British Exchequer from 1932 to 1936 amount in fact to £17,176,004, or £130,252 more than the amount withheld by the Free State Government. Meanwhile the Government's policy in regard to the increase of tillage, which has helped to alleviate the farmers' plight, is costing the country in

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subsidies about £2,600,000 a year. On balance the increase in root crops has only been about 6,000 acres.

Other expensive projects either contemplated or in process of development include the establishment of an oil refinery, the production of alcohol from potatoes, and the formation of a state-controlled company with a capital of £1,000,000, subsidised to the extent of £500,000, which is to be given a monopoly of our at present non-existent and unnecessary internal air services. The Government also propose to enforce the use of turf, in order to reduce our coal imports and benefit the poorer parts of the country where the turf bogs are situated. For this purpose they have introduced a Bill which will make it compulsory in certain areas to purchase a certain proportion of turf with each ton of coal bought for domestic purposes. Compulsion, however, will be resorted to only in places where the cost of turf compares favourably with the cost of coal and which are well served by suitable bogs. It is also proposed to develop the cutting of turf by mechanical methods. How far the public will succeed in circumventing this latest attempt at commodity regulation remains to be seen. The results of the carefully laid plans to control the milling industry and the meat supply prove how difficult it is for state interference to secure satisfactory results. In the case of flour the wheat-grower has found it cheaper and less troublesome to grind his wheat in local grist mills and do his own breadmaking, with the result that the country is now overmilled and the price of flour has risen by ten shillings a sack as compared with Great Britain. In the case of meat the attempt to fix a minimum price for live stock has proved a costly failure and has been now virtually abandoned.

One other development must be mentioned. The Dublin Corporation, in conjunction with the Electricity Supply Board, has agreed to utilise the water of the Liffey in order to provide a new water and electricity supply for Dublin. For this purpose it is proposed to build a great

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reservoir or lake of 5,000 acres on the western slope of the Wicklow mountains above Phoulaphooca waterfall, where the Liffey comes down in a deep gorge towards the Leinster plain. This project, long advocated by Sir John Purser Griffith, Dublin's distinguished and veteran engineer, will not only aid enormously in the development of Dublin's water and electricity supply, which has become necessary, but also, by providing an easily accessible mountain lake, will add to the beauty and amenities of the capital's surroundings.

INDIAN TRENDS

I. BACK TO THE LAND

THE five-yearly term of Viceroys produces a curious pulse in the administration of India, or rather, one might say, noticeable variations in the beat. Whether this variation will be equally noticeable after the advent of federation is open to doubt; for it may be obscured by the greater variations arising from changes in Ministries. It has been so in the provinces since 1920, where the direct personal touch of the Governor has been in varying measure obscured by alternations of popular Ministries.

A marked change is already observable since the advent of the present Viceroy. India has been preoccupied too long and too intensely, perhaps, in recent years with matters of politics and national status; the indications are that at least on the official side closer attention is to be given to broad matters that affect the life of every member of India's 350 odd millions.

Among the first objects of the new Viceroy's endeavour has been to improve the quality of livestock. Public interest was quickened by his early act of presenting stud bulls to Delhi and his exhortation to others to go and do likewise; this, incidentally, has received a considerable response, partly, it may be, from those who always assume the Viceregal hue whatever it is, but also out of a genuine conviction that the move is good in itself. There is no doubt that Indian livestock needs improvement, but unless care is taken the mere introduction of better specimens may be swamped by the continuing existence of excessive herds. The evil influence of this goes much further than is generally realised. There is no use letting valuable high-grade animals run with a poor herd. The useless

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heads consume pasture and fodder and *pro tanto* diminish the amount available for those whose development is to be desired. The excessive number to be provided for leads to encroachment on forests and to the denudation of soil, the eventual result of which is alternating droughts and excessive floods. It is to be hoped, therefore, that along with the introduction of better stock will go some attention to the question of reducing the excessive proportion of useless animals. The difficulty here, of course, is the sacredness attributed to the cow, but it should be possible in time to raise the standard sufficiently without recourse to slaughter.

It may be that from the minor incidents of the last three months one can detect the inception of profound changes in thought and attitude. From his first days in the country Lord Linlithgow made plain his interest in, and his determination to come into contact with, the actual matters affecting the man in the street, or rather in the field. A similar tendency is observable among even Congress politicians, and there is nothing more to be wished than that such an attitude should grow and spread. The increasing public interest in agriculture and public health matters may be, to some extent, merely imitative; but even so the fact that personal interest has taken these channels is a benefit to India. What India, and especially the poorer man in India, wants is deeds, not words; of words he has had in all conscience a surfeit.

Broadly speaking, if a country has a reasonably healthy peasantry, the possible poverty of that peasantry is a secondary matter. Incidentally, if they are healthy, a much smaller proportion of them will remain poor. One reads much in Western reports, articles and newspapers of the time lost through strikes, and formidable figures in hours and days are put before us. If the loss of time and energy directly traceable to malnutrition or ill health in India's population could be expressed in hours, the figure would be astronomical.

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Much interest was taken in the Government of India's grant for what is generally, if rather unfortunately, known as rural uplift. There has been a strong tendency, especially in the nationalist press, to describe this as a rival bid for popularity to the Congress's rural programme. This view is perhaps not without justification, and it may be that one of the Mahatma's chief claims to the gratitude of his country will turn out to be just this direction of the glance of the Central Government towards the villages.

The British are apt to be too complacent about their achievements in India. Much they have done undoubtedly; perhaps their greatest feats are the steady creation of an Indian sense of nationality and the maintenance of a Pax Indica, both of them, especially the latter, far greater boons than is generally realised. On the other hand, when it is a regular hot-weather feature, even in those parts of India with the longest connection with Great Britain, for villagers to have to go two or three miles for water, it is impossible not to feel that something has been left undone. To adopt for a moment an extreme simplification, India's root need is an adequate and pure water supply. Given this, foul water will not be drunk, intestinal disease will be greatly diminished and the more serious epidemics will disappear, cleanliness will be facilitated and better sanitation will follow. With improvement in health will come inevitably an awakening in spirit and a desire for a higher standard of life. From this will spring an increased political interest, which in turn will put pressure on the schools and affect the type of membership of the Legislative Councils. This reasoning is admittedly unduly simplified, but at least it puts first things first.

Since the results of the last census came out, population questions have aroused an increasing concern among the literate Indian public interested in such matters—a very small percentage, it must be remembered, of India's 350 millions. There have been polemics for and against birth control, in which an almost incredible ingenuity of

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hair-splitting has been displayed—among others by Mr. Gandhi himself. Crusading women from Europe and America have conducted campaigns in favour of contraception, and the less reputable press has seized upon the whole topic as an excuse for indulgence in the scabrous.

Actually, the emergence of this topic to prominence is an indication that in India also the influences that take the place of the malthusian checks are making themselves felt. A rise in the standard of living is the surest means of checking a too rapid increase in population. When men live on the verge of subsistence nothing very much matters, and they marry and procreate with equal recklessness; for nothing could make them worse off than they are. However many children are begotten, they could hardly fare worse than their parents; where there is no inducement to care or restraint, the outcome is fecundity. Give a man some stake in the world, some feeling of position and property, call it what you will, and he will begin to exercise a little care before he adds to the liabilities that may affect that position or property. This check of prudence has begun to operate in India too, and the real question is one of time, not of desirability; will the population grow too great before the check has had time to work?

From this point of view, the true approach to India's population problem is through the standard of living and the health of the people. Among the best friends of the country are those foreign manufacturers who have been able to put within reach of the poorer classes in India conveniences, comforts and possessions they could never aspire to before. This suggests a new view of Japan or the late Mr. Bata. Although India is on the whole a hot country, many parts are liable to sharp variations of temperature, and pulmonary diseases are far more prevalent than is realised abroad. A little more clothing and opportunities for changing garments wetted by rain or perspiration might help considerably in reducing exposure to these

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diseases. The ryot or labourer who can buy a Japanese vest for 4 annas or less has a valuable safeguard for health. Similarly hookworm, though not in itself fatal, is one of the great pre-disposers to other sorts of infection in peninsular India. It saps the resistance, lowers vitality and energy, and in fact operates as a powerful depressant. Infection is nearly always conveyed through the feet, but footwear is generally expensive. If Japan or Czecho-Slovakia can offer the ryot or labourer canvas shoes at 14 annas there is more chance of his going about with his feet covered, thereby escaping infection and so pulling his full weight as a worker and a citizen. In this light, the present-day preoccupation with restrictions, trade agreements and so on, which have in view monetary balances and prices and, in brief, the producers, are open to the charge of forgetting the consumers and obstructing, in the interests of those who have, much-needed benefits to those who have not. This is, of course, merely another aspect of the burning of coffee, the limitation of grain cultivation, the slaughter of stock, and other attempts to solve "the monstrous paradox of poverty in the midst of plenty" by abolishing the plenty.

II. INDIA AND SOCIALISM

JAWAHARLAL NEHRU continues to fill the political bill, though some of his prominence is now reflected rather than original. In other words, the discussions and uneasiness in Congress circles over such matters as the acceptance of office, and especially the association of Congress with socialistic propaganda, owe their present acuteness to the vehement advocacy by the Congress President of his own strongly-held point of view. It was suggested in the last number of *THE ROUND TABLE* that his disillusionment would not be long in coming.* On reflection it is clear that it had even then already begun. The Bombay reaction against the socialist thesis, and its

* See *THE ROUND TABLE*, No. 103, June 1936, p. 568.

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echoes elsewhere, have filled the press. The press in India, however, so far as the more important organs are concerned, is almost wholly bourgeois, and consequently the protests have received disproportionate publicity.

It would be a great mistake to imagine that the Pandit's thesis has no supporters. It has, and their numbers are substantial and increasing. Their present influence may not be great, but too many of the Pandit's critics have failed to perceive that in the India of the immediate future, with its much lowered franchise, mere numbers are going to count much more, and that with every lowering of the franchise, or increase of the numbers eligible under future rules, the power of the present submerged mass will grow steadily. That power, such as it is, is at present behind the Pandit, though one cannot help feeling that he is in for disillusionment of another kind if he thinks that an active and conscious proletariat will long adhere to his comparatively high-minded and theoretical communism.

Actually the Pandit, though the suggestion would appal him, is as much a fascist as he is a communist; for in the future he looks to an earnest, devoted élite, which will design broad measures for the masses. One suspects that he has really not yet contemplated the masses operating for themselves.

Jawaharlal Nehru's autobiography, printed and published in England, has formed a prominent topic of conversation and controversy in political circles. It is to be hoped that it is being widely read in England, if the public there wishes to get a real insight into the ideas and passions that move the younger intelligentsia in India to-day. The merit of the Pandit's book is its sincerity. It is not free from the curiously uncritical naïvety so often observable even in the ablest of politicians in this country, but that feature in a way enhances the impression of sincerity. The interest of this autobiography lies, not in its account of the actual projects adopted by the Congress, but in its portrayal of an attitude that broadly characterises the nationalist

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school of politics in India. Not all would go so far as the Pandit, but most of the younger men would. Attitudes count greatly with youth, and although the Pandit has reached the middle forties, he has retained to a much greater degree than most Indians of his age an understanding and genuine sharing of younger men's attitudes and reactions.

He sees the future in socialism, but to some observers fascism is quite as possible an outcome. There are many circumstances in the life of India that would favour such a development—the centuries-old familiarity of the country with authoritarian governments, and the pragmatic side of the Indian mind, which makes it welcome practical measures of amelioration, for which in India there is certainly ample scope. An interesting parallel could be drawn between the average Indian and the Italian. Both have a far greater measure of matter-of-factness than is generally attributed to them. To English observers, the Italian's obvious predilection for song and gesture, and in general his early emotional flashpoint, have tended to obscure the fact that he has a most marked and quick appreciation of what is what, and a freedom from sentimentality the Englishman might well envy. So with the Indian also.

Perhaps the most interesting part of the book, enshrining the Pandit's real theory, is the passage in which he protests against the view of non-violence as at once an end and a touchstone. A desirable method by all means, but a criterion, no; such would be the Pandit's answer. He at least has a clear realisation of the fact that in some form or another violence in the sense of power to constrain others is at the root of all systems of government.

III. THE NIEMEYER REPORT

THE long-expected Niemeyer report on the finances of federation was published on May 1. Its remarkable conciseness occasioned a general sigh of relief. A vital

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stage in the constitutional development of India might be said to have been reached and passed in 20 pages octavo. While the decision to leave this enquiry in the hands of one authority was generally approved at the time, in retrospect it appears even wiser; for, despite Sir Otto's avoidance of argument or discussion, it is easy enough to detect the issues on which a committee would have expanded at length and provoked a heavy backwash of discussion, enquiry and argument.

The report has been as well received as any report affecting and deciding a variety of conflicting claims could expect to be. Bengal threatens to press for the entire jute duty and, with an intolerance not uncommon in Indian provincial Governments, seems almost to resent Sir Otto's expressing a doubt whether its contention can be sustained. Similarly the commercial world assails his suggestion that the Indian income-tax rates, to adopt an American phrase, might "soak the rich more". The cancellation of debt for the north-eastern group of provinces and the Frontier, and its partial remission for the Central Provinces, are accepted as both logical and reasonable, and the increase of the grants-in-aid to the new provinces is welcomed, although a note of opposition with a strong concern for the future has already been detected from the south. The warning it sounds is that poor relations cannot expect to be treated as equals; that is to say, if in the future federation some provinces cannot pay the piper, they cannot expect to call the tune. There is some surprise at the limited assistance suggested for Assam, and the disappointment in that region is considerable; there is a feeling that Sir Otto has been almost cavalier towards it.

No distribution of the proceeds of taxes on income could ever please everyone, but a remarkable tribute to Sir Otto's handling is the comparative mildness of the Bombay and Bengal comments on the equal percentages proposed for these provinces. Whether this complacency will continue is another matter, but at present Bengal is

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to some extent in the position of the gluttoned tiger. Viewing the report as a whole, Madras, Bombay and the Punjab emerge with honour, in the sense that these are the only three provinces that receive no charity. Strictly speaking, only the Punjab is in this class; for the other two have received substantial concealed subsidies through the formation of the new provinces of Sind and Orissa from indigent areas of Bombay and Madras.

Here and there Sir Otto offers a useful warning—for example, that the provinces should not be tempted to mortgage in advance the prospective additional resources flowing from the distribution of income tax. This temptation is likely to be strong and probably ineffectively resisted, and in some areas it may constitute one of the earliest zones of interference by the Governor-General.

Another warning relates to the position of the railways, which Sir Otto is not alone in finding “frankly disquieting”. It is unlikely that the railways will ever again contribute seriously to general revenues, and it will probably be necessary to face up to this issue at no distant date. Some criticism has visited the phrase “expenditure at the Centre cannot be expected, consistently with safety, to decrease much below the point to which it has now been reduced”. The critics of the army budget in particular will seize upon it, and we have not heard the last of this sentence.

In general, India thanks Sir Otto for a notably clear and succinct report. Even had it been less concise and generally acceptable, it would have been forgiven, in view of the concluding sentence of its paragraph 18 :

From the financial point of view . . . His Majesty's Government may safely propose to Parliament that Part III of the Government of India Act, 1935, should be brought into operation a year hence.

Political India, reading this sentence, drew a deep breath of relief.

India,

July 1936.

GREAT BRITAIN

I. THE BUDGET ENQUIRY

MR. CHAMBERLAIN'S fifth budget, with its increase of taxation upon incomes and upon tea, was followed by one of the unhappiest incidents in post-war politics in Great Britain. It became known that exceptional insurances had been effected in the City of London, under suspicious circumstances, against the chances of a rise in income tax and of an extra duty on tea. Enquiries by Lloyd's having indicated that a leakage of budget secrets might possibly have taken place, the Government decided to set up a judicial tribunal, consisting of a High Court judge (Mr. Justice Porter) and two eminent K.C.'s, to enquire whether there had been an unauthorised leakage, and if so through whom. The official Labour Opposition demanded instead a Select Committee, following the dubious example of the Marconi case in 1912—an attitude they must have regretted later when the Tribunal had swiftly, cleanly and decisively performed its task. The Attorney General opened the enquiry in a frank and revealing speech, and there was never any suggestion that the Government acted otherwise than candidly and impartially.

It very soon became clear that suspicion rested upon Mr. J. H. Thomas, the Secretary of State for the Colonies, as the source of the leakage. No evidence was tendered to suggest that any civil servant had committed a breach of trust; indeed the reputation of our public services for honour and reticence was, if anything, enhanced by the realisation of the opportunities for great profit that a tempter might offer.* Large insurances against the

* It was in accordance with the high standards set by and to the Civil Service that the Permanent Secretary to the Air Ministry was dismissed the service on July 28, on account of conversations he had had with the chairman of Imperial Airways regarding his own possible future employment with that company.

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budget contingencies that actually occurred had been effected, it emerged, by two gentlemen, both of whom were old friends of Mr. J. H. Thomas and had seen him during the period when as a Cabinet Minister he was aware of the main terms of the budget. Sir Alfred Butt, M.P., had visited Mr. Thomas on the very morning of budget day, giving him a very profitable "tip" for a horse race in the afternoon, and had subsequently insured against a rise in income tax, although, as a member of Lloyd's, he had previously accepted insurances against that very contingency. He acknowledged that on Mr. Thomas's behalf he had effected in May 1935 an insurance against there being a general election before the end of the year, to Mr. Thomas's profit in the sum of £632—an indefensible transaction on the part of a Cabinet Minister who could influence the decision on the subject. Mr. Alfred Coshier Bates, publisher of a sporting newspaper, had entered into an arrangement with Mr. Thomas to publish the latter's autobiography; he had offered £20,000 for the exclusive rights and had paid Mr. Thomas £15,000 on account, in the form of purchase money for a house the latter wanted, although not a chapter of the work had yet been written. Such facts went nowhere towards proving that Mr. Thomas had given away budget secrets, but they helped to create an atmosphere of suspicion and to place the three parties mentioned on the defensive. All of them warmly denied having improperly given or used secret information.

On June 2 the Tribunal publicly issued their report. They began by making certain observations about the nature of their enquiry, contrasting it with an ordinary criminal case, in which the Crown as prosecutor and the accused are represented by counsel who produce, examine and cross-examine witnesses, subject to strict rules of evidence. The Tribunal had been forced to test witnesses' stories by cross-examining them themselves, and had heard evidence that might have been excluded in a criminal case; there being no accused and no definite charge, certain

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persons whose conduct had been the subject of the closest scrutiny had not been represented by counsel until some days had elapsed. The members of the Tribunal felt the consequent difficulty of their position. They proceeded to give a full, critical account of the evidence before them, a task brilliantly performed and plainly beyond the capacity of anybody not trained in the law and daily accustomed to the weighing and sifting of sometimes conflicting testimony. The Tribunal's conclusion was emphatic.

We, having heard the witnesses and observed their demeanour, find that there was an unauthorised disclosure of information relating to the budget for the present year by Mr. J. H. Thomas to Mr. Bates, and that use was made of this information by Mr. Bates for the purpose of his private gain . . . that there was an unauthorised disclosure by Mr. J. H. Thomas to Sir Alfred Butt of information relating to the budget for the present year, and that use was made by Sir Alfred Butt of that information for the purpose of his private gain.

Mr. Thomas had already resigned his Cabinet office. On May 20 he had written to the Prime Minister tendering his resignation because, he said, without any regard for what the Tribunal's report might contain, the way in which his name and private affairs had been bandied about rendered his continuation as a member of the Government impossible. His resignation was accepted "with deep regret." Newspapers of both Right and Left took the occasion to praise his public spirit and the services he had rendered to the State, and press and public were slow to add blame when the Tribunal pronounced their verdict, remembering that Mr. Thomas himself had pressed for a full enquiry and that no suggestion had been made that he had profited by any disclosure. The Labour newspaper, the *Daily Herald*, in its leading article on the report, forebore even to mention Mr. Thomas's name, and the attitude of his political enemies seems to have been akin to that of Mr. Maxton, who said in the House of Commons :

I and my friends at any time would have regarded it as a good day's political work well done if we had driven the right honourable

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gentleman out of the political influence he held, but at the end of his political career, coming in that way, we feel profound regret and sorrow.

That was in the debate on June 11 on the 'Tribunal's findings. On the previous day the Attorney General had announced that no prosecution would be undertaken under the Official Secrets Act, his reasons being that there was doubt whether the disclosure had been deliberate (as he held it must be if a breach of the Act were to be found), that some of the evidence given before the Tribunal would be inadmissible in a criminal court, and that it would be impossible to find at this stage an unprejudiced jury. This refusal of a criminal prosecution was regarded by Sir Alfred Butt as a bitter grievance, in that he was being refused the opportunity of meeting the charges against him in a court of justice. He felt from the bottom of his heart, he said, that he was the victim of a grave injustice. Under protest, he followed Mr. Thomas's example in resigning his seat in the House of Commons. Mr. Thomas's own speech had made a far more sympathetic impression. He refused to challenge the findings of the Tribunal, than which, he said, there could be no fairer court in the world, though he declared once more that he never consciously gave a budget secret away. When he and Sir Alfred Butt had left their places, the House, with no fever, debated and adopted without a division the Government's motion that the report of the Tribunal be accepted, after rejecting a Labour amendment calling on the Government to take appropriate action "in view of the definite findings of the Tribunal and the disclosures of the gambling practices in the City of London".

The Opposition's public-spirited desire to use this opportunity for thwarting evil methods of profit may have been mingled with the less worthy hope of making political capital out of incidents that would have seemed shocking enough whatever the Tribunal's finding had been. But there were plenty of ordinary citizens who felt that such

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disclosures were dangerous hostages to the enemies of the established economic and social order. It is, indeed, a matter of little importance that wealthy men should bet in large sums on chances very different from those of the turf or stadium; for what one of their fraternity gains another must lose. Their methods and morality, it may be held, are their own affair, though the man in the public bar feels it unjust that his own no wickeder pursuit of street betting should be banned by law. But suspicions cannot be stifled that methods and morality scarcely more scrupulous may be applied in fields of finance, commerce and industry that concern more closely the ordinary man; that "somebody must pay", and that in the long run the somebody who pays is the small investor and the wage- or salary-earning employee. Proposals have been made, and have been promised consideration by the Chancellor of the Exchequer, for the reform of the Companies Act to bar or restrict financial activities through nominees. But new laws breed new evasions, not new morals; it is upon the City, not upon the legislature, that the primary responsibility rests for establishing a higher code in finance and big business. Needless to say, the leaders of British trade, industry and finance set themselves an unassailable standard, which is neglected only by the few, and it is significant that the Committee of Lloyd's has spontaneously taken steps to prevent a repetition of such troubles as formed the object of the budget leakage enquiry, by advising members to accept insurances of that type only if the name of the principal is disclosed and if he has a legitimate interest at stake. The committee have also had under consideration the possibility of imposing a close season for budget insurances, between March 31 and the date of the budget.

II. THE POLITICAL SCENE

THE ministerial vacancy caused by Mr. Thomas's departure was filled by the transfer of Mr. Ormsby-Gore to the Colonial Office and the appointment of Lord Stanhope

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as First Commissioner of Works. Much more remarkable was the return of Sir Samuel Hoare to the Government, as First Lord of the Admiralty in the place of Lord Monsell, whose resignation had been long expected. Of this appointment the *News-Chronicle* said, with an exaggeration not unusual in some sections of the daily press, that it would be "interpreted in all foreign countries as the final surrender of the British Government to Signor Mussolini; and it is difficult to give it any other interpretation". Mr. Lloyd George, in the debate on the ending of economic sanctions against Italy, spoke caustically of Sir Samuel Hoare's return "after a period of quarantine". The incident may indeed be regarded, in one light, as evidence that the Government believed the storm raised by the Hoare-Laval peace plan to have blown over, and the public conscience to have been sufficiently appeased. Sir Samuel, it may be held, was only a scapegoat, not a malefactor; his policy probably finds more defenders now that Abyssinia is conquered than it could muster in December. The Government, however, would assuredly be unwise to ignore the depth of the popular sentiment that exerted itself in the peace plan episode. Sir Samuel Hoare's return strengthened the Government's personnel, but it did not ease the misgivings of a public confused and bewildered by the failure of economic sanctions in the Italian test case and by the naked dangers that confront the Empire.

Nor have those misgivings been relieved by certain signs of a lack of leadership and discipline within the Cabinet itself. On June 10 Mr. Neville Chamberlain, the Chancellor of the Exchequer, delivered a speech to the 1900 Club (a private Conservative body) in the course of which he described the policy of continuing sanctions against Italy as "the very midsummer of madness", and suggested that the time had come to limit the functions of the League so as to accord with its real powers, perhaps by replacing general collective security with a series of regional arrangements. When Mr. Chamberlain spoke, the Government's

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policy had not yet been revealed either towards the continuance of sanctions or towards the reform of the League. Badgered by the Opposition at question time, the Prime Minister characterised his colleague's statements as provisional and personal reflections, and attempted to pass the matter over jocularly; but there was much substance in Mr. Attlee's suggestion that it was a matter of grave embarrassment to the Foreign Secretary if a responsible Minister thought aloud on such topics and allowed his thoughts to be made public. A second, not dissimilar incident occurred a couple of weeks later, when Mr. Duff Cooper, the Secretary of State for War, declared at an ex-service men's gathering in Paris that France and Britain must always remain united. Friendship between them, he said, was a sheer necessity, a matter of life and death for both. "Your frontier is our frontier." Mr. Duff Cooper, it was explained in the House of Commons, had submitted the text of his speech beforehand to the Foreign Office, though the final draft had not been seen by Mr. Eden himself. It had not been intended, said Sir John Simon as deputy for the Prime Minister, as a declaration of policy. The debate, to which the Opposition challenged the Government on a motion for the adjournment, rather lost itself in the argument whether or not Mr. Duff Cooper's speech was consistent with official Government policy, and whether he had actually advocated an alliance with France. The real issue was quite different, and was thus stated by *The Times* in a leading article under the title *A Lack of Cohesion* :

The critics . . . are on strong ground when they object to the making of speeches by Cabinet Ministers, which all reasonable persons are entitled to regard at the time as intended to give some special turn or emphasis to policy, but which turn out in subsequent explanation to have had no such purpose at all. If it becomes necessary to ask after every speech whether it is or is not an exposition of authentic and collective policy, the influence of the British Government towards peace in Europe must infallibly be weakened.

These incidents did not advance the reputation of the

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Prime Minister himself, about whom rumours are persistently circulated, and as regularly denied, that being ill or tired he is about to resign. They might have been expected, on the contrary, to assist the Opposition in its attack on a Government which it could represent as divided in counsel, and as at once pusillanimous and jingo. But the course of by-elections suggests that the Labour party have gained surprisingly little ground since the general election. They won Peckham in May, but by a majority of only 100, compared with a Conservative majority of 772 last year; before 1931, Peckham had been a Labour seat. Lewes, Balham (Sir Alfred Butt's seat), and East Grinstead were all held by the Government, with majorities reduced by the smallness of the poll and the supineness of their former supporters, not by any positive gains to Labour. The latter's only notable success was at Derby, in the by-election caused by Mr. Thomas's resignation. Last November Mr. Thomas's majority was 12,529 over the nearest Labour candidate; in the by-election Mr. Philip Noel Baker beat the National Government candidate, who once sat on the Labour benches, by 2,753. Although the total poll was some 8,000 less, Mr. Noel Baker raised the Labour vote by over 3,000. The result, which gives the Labour party a very valuable recruit in Parliament, is not wholly attributable to the circumstances of the sitting member's departure, or to the qualities of the Government candidate. It cannot be left out of account that Mr. Noel Baker is an expert on foreign affairs and an intense critic of the Government's international policy. The comparative failure of Labour to make headway in the country, in spite of its tactical advantages, seems to be due, not to any positive commendation of a Government policy that for the time being is far from clear, but rather to an equal ambiguity, and an even more striking want of decisive leadership, on the Opposition side. Nowhere is this more apparent than in discussions on defence.

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III. UNEMPLOYMENT ASSISTANCE

IN home affairs, the Labour party are planking their heaviest stakes on the card of unemployment relief. It is now a year and a half since the introduction of statutory regulations for the payment of unemployment assistance (that is to say, relief to the able-bodied unemployed whose insurance rights have expired) aroused such a storm of opposition that they had to be withdrawn.* Meanwhile, benefits have been paid at the rates determined either under those regulations or under the "transitional payments" scheme previously in operation, whichever was the higher; and the Exchequer has had to indemnify local authorities for the burden of which they were to have been entirely relieved by the Unemployment Assistance Board on March 1, 1935. The introduction of new regulations has been delayed so long, partly no doubt for political reasons, but partly also because of the great difficulty of devising rules that would embody the main principles laid down in the Unemployment Assistance Act of 1934, while avoiding the objections on which the 1935 regulations were wrecked. The problem has not been eased by the progressive increase of the average rate of assistance paid; this has been due to a number of causes, including the tendency for the average to rise towards the most generous level paid by any local authority, as well as the absorption of younger unmarried men into employment more rapidly than older men with families.

At long last, a new series of regulations was issued on July 9, and was ratified by Parliament on July 23 by 368 votes to 163, after a three days' debate that included a continuous sitting of 33 $\frac{1}{4}$ hours. The Act provides that no amendments may be made to draft regulations once they have been laid on the table of the House. The new regulations are in many respects more generous than the old; a special proviso, to the effect that no applicant who

* See THE ROUND TABLE, No. 98, March 1935, p. 362.

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is the head of a household with dependants will be assessed at less than the unemployment insurance benefit rate (subject to the needs test and to adjustment for specially low rents), implies that the former basic rate of 24s. for man and wife, though nominally standing, has in substance been raised by 2s. a week. Dependants' allowances are generally increased. It is reckoned that some 200,000 applicants out of 620,000 will receive higher rates of assistance under the new regulations, and that the Exchequer will have to find an additional £750,000 a year. Nevertheless, there will be cuts of benefit in certain areas, or for certain classes of applicants, where the local authorities at present pay excessive rates according to the Board's standards. An abrupt transition is to be avoided by the gradual reduction of such benefit over a "buffer" period that may last for eighteen months after November 16 next, when the regulations are to come into effect. The transfer of the administration from the local authorities to the Unemployment Assistance Board is to be completed on April 1, 1937. The other outstanding special objection to the former regulations, namely, that the adjustment for rent variations was unfair and too rigid, has been met by more generous allowances and greater discretionary powers, and by the promise of wider reference to the Local Advisory Committees.

The regulations suffered no such widespread attack by the Government's own supporters as did their ill-starred predecessors, and the Labour party themselves concentrated their heaviest artillery on the "Means Test", or, more properly, test of household needs, which remains a feature of the regulations, as it is of the governing Act. Not without dialectical success, they contrasted the practice in regard to the relief of the unemployed with the grant of subsidies, subject to no test of individual need, to cattle farmers and tramp shipping owners. The campaign will be carried into the country, no doubt with great vigour, and every argument against the needs test pressed to the utmost. On such points of principle, compromise is

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impossible. Unfortunately, the real point of principle is obscured by the fact that the needs test is applied in a different form under the assistance regulations, compared with the unemployment insurance scheme. The grant of dependants' allowances to insurance beneficiaries "as of right", though they have paid no higher premiums when in employment than those without dependants, is just as much an application of a needs test as the computation of a household's alternative resources. Are a man's "rights" proportionate to his "needs" as a member of a household, or to the economic value of his labour or the actuarial value of his provision against unemployment and other misfortunes? That is the inner question of principle.

The competitive economic system is built on the latter assumption; a benevolent State intervenes on the basis of the former, in the shape of widows' pensions, old-age pensions, its participation in the unemployment insurance scheme, and so on. The needs test for unemployment assistance is a logical projection of that same hypothesis. The break comes, not between unemployment assistance and other social services, but between social services and the competitive system, in particular between wage-earning and the receipt of unemployment benefit with dependants' allowances. Thus it is not the Labour party but the Conservatives who on this issue are fighting for the socialist principle of "to each according to his needs", and are thus facing towards the policy of family allowances all round, which seems the inevitable conclusion of present tendencies.

IV. THE INDUSTRIAL OUTLOOK

IN spite of the unevenness of the spread of industrial prosperity, we are now probably nearing the high level of the boom. The sheet anchor of the first phase of British recovery—building activity—holds firmly; any falling off in house-building has been more than made up by revival in factory and commercial building. Industry

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is now beginning to feel on every side the effects of government expenditure on re-armament. Thus recovery, while still in the main domestic, continues over the greater part of the country. South Wales remains stagnant, but the two other large "special" areas—the north-east coast and south-west Scotland—have received some mitigation of their plight, and will receive more as cruiser-building and munition works get under way. While the prevailing mood is to make much of the favourable signs, there is a general disposition towards caution. Some, like Mr. M'Kenna in a recent speech, would argue that there is no reason why with a managed currency we should need to contemplate a recession until "full employment" is reached—a matter, perhaps, of the absorption of another half-million unemployed. But the warnings from the more sceptical are becoming frequent; there is anxious watch for clouds on the horizon, and a disposition, perhaps over-pessimistic, to fear the worst.

Whatever weaknesses may develop in the near future, a matter of months beyond which most speculation hesitates to go, the outward indications of the moment, as they were summed up by Mr. Runciman in his annual parliamentary survey, are almost uniformly encouraging: record figures of employment; a declining total of registered unemployment (July saw a further drop of 50,000 to 1,652,000); rising postal receipts, bank clearances, retail sales and industrial production. Steel production is at higher levels than ever before, largely in response to the boom in the constructional and capital equipment industries, rather than specifically in armaments. The motor industry is still on the up-grade. Engineering is busy in most of its branches and is short of skilled labour; our imports of machinery have increased, and we have ironically been buying machine tools (for armament production) from Germany. Ship-building shows improvement in mercantile as well as warship work; the sister ship to the *Queen Mary* is to be laid down at Clydebank, and battleships are

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to be built on the Tyne and Mersey. In the textile industries, wool and rayon are busy; cotton exports are sluggish, although home demand keeps up and employment is greater than a year ago. The coal industry moves slowly, but in spite of the hard blows given to it in Mediterranean markets production runs above the level of the depression years. The miscellaneous trades and services, especially those meeting domestic needs, are mostly prosperous.

In overseas trade the outlook is less bright. The first six months of 1936 showed a slightly smaller volume of exports than did the first half of 1935. The reductions, as the *Economist* has shown, are accounted for by three main causes: political, in the curtailed buying of Italy and Germany; politico-economic, in the reduced takings of cotton goods by India (in part the effect of tariff uncertainty); and domestic, in the diversion of iron and steel, non-ferrous metal, and chemical manufactures from export to home consumption (the effect of re-armament—a factor that helps also to account for the simultaneous increase in the volume of imports). Whatever the explanation, it still remains true that the prospects for British exports are dubious. The July export figure, it is true, was the highest monthly total since November, 1930, but imports were also increased, and the adverse balance of trade is now £40,000,000 greater than last year.

The Government relies on its policy of bilateral agreements. This policy does not always run smoothly. The conflict of interests involved in the renewal of the treaty with Argentina is not yet resolved. British agriculture has gained its subsidy, to be recouped in part by a tax on foreign beef; Australia and New Zealand have escaped without a tax on their meat exports; Argentina has to bear not only a tax on her principal article of export, but also a possible reduction in the quantity she may sell. She is naturally reluctant to make further concessions to British exporting industries (such as discrimination in favour of Lancashire cotton goods against Japan). The

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compromise between Mr. Elliot and Mr. Runciman is hardly to the advantage of British exports and shipping. In the last week of July a useful agreement was reached with Soviet Russia under which the Government undertakes to guarantee Russian commercial bills up to a total of £10,000,000, and Russia undertakes to place orders up to that amount for British goods by September 30, 1937. The resumption of normal trade relations with Italy has met with obstacles on the Italian side, and negotiations over the treatment of pre-sanctions indebtedness have had to be suspended.

The domestic affairs of two industries—coal, and iron and steel—have come into prominence. On August 1 the new selling schemes for the coalmining industry came into force. They are of three types. Four districts have adopted the model established a year ago by Lancashire—a central selling organisation disposing of all the coal raised in the district and pooling profits. Twelve districts, including the main exporting districts of Scotland, the north-east, and South Wales, have central control of sales, but leave each undertaking free to market its own output under controlled conditions. In the Midlands there will be central selling by groups, with a district co-ordinating authority. Besides the district schemes there is a central scheme for the co-ordination of the district prices. The schemes were not produced without some friction, and the opposition of the public utilities who feared injury from the coalowners' monopoly had to be met by a strengthening of the provisions for appeal against unduly high prices. Unfortunately the Government had to postpone until the next session its Bill to equip the Coal Mines Reorganisation Commission with adequate powers and its Bill to nationalise royalties. We are still awaiting the constructive side of the Government's policy, which is to ensure that the corollary to monopoly price-fixing shall be progressive concentration of production in the most efficient pits.

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The same issue of a producers' monopoly has arisen in a different form in the iron and steel industry. The House of Commons showed itself highly critical of the provision in the Finance Bill for adjusting the tariff on steel imports to the desires of the British Iron and Steel Federation, and in fulfilment of the latter's agreements with the international cartel. The criticism gained weight when the tangled narrative of the Jarrow scheme came to be unfolded. There was a project, which twelve months ago was warmly approved by the Government and by the independent chairman of the Iron and Steel Federation, for setting up in Jarrow (as regards unemployment the worst-hit town in England) a complete bessemer steel plant. It was considered a valuable step in the reorganisation of the British industry, which has been slower than its competitors to utilise this process. But the project fell through, largely, it appears, owing to the opposition of existing members of the Federation on Tees-side. The decision went in favour of the extension of existing works rather than of the erection of new. The technical merits of the controversy are not wholly clear, but the revelation of the self-protective instincts of a tariff-favoured monopoly was disquieting. The Government has asked the Import Duties Advisory Committee, whose relations with the industry have been close, to examine its present position and report on "the general lines of its future development".

The labour situation remains quiet. Trade union membership and wages, especially in the more prosperous industries, are moving upwards. A stimulus will be given by the decision of the Railway Staff National Tribunal, which awarded rather greater concessions than those that had been voluntarily agreed on between the company and union negotiators, and had been rejected by the rank and file. The tribunal, taking a fairly optimistic view of railway prospects, says that "other things being equal, the case for returning to the standard rates becomes stronger with time". The award was accepted on August 11 by a

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delegate conference of the National Union of Railwaymen, which instructed the executive committee to seek the cancellation of the small remaining fraction of the 1931 wages cut as soon as the 1936 figures of the railway companies became available. An amicable solution of the wages demands now being pressed in the cotton industry is, however, unlikely.

Most of the trade union conferences of the summer have been much concerned with the shorter working week, and the agitation has been strengthened by events in France and Belgium. The plausibility of spreading work to reduce unemployment is now less than it was, and the disturbing reports of the Chief Inspector of Factories and Workshops suggest that what British industry needs to begin with is a 48-hour week. Official complacency with the results of regulation by collective agreements has clearly gone too far, and British Ministerial protestations at Geneva read oddly in the light of the inspector's disclosures of cases of gross overwork "almost incredible in these days". Some of the newest and most prosperous industries seem to be the worst offenders. The Government has promised to make amends in next session's comprehensive Factory Bill—now more than twenty years over-due. But clearly British industrial conditions are by no means as good as they should be, or, by comparison with conditions in other advanced countries, as they used to be.

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I. CANADA AND THE LEAGUE CRISIS

THERE has been little disposition in Canada to question seriously the decision of Mr. Mackenzie King's Government to follow the lead of Great Britain in lifting economic sanctions against Italy. In all the circumstances it is doubtful whether a Conservative Government would have acted differently. Mr. Bennett, speaking in the debate at Ottawa on June 18, said that while he regretted acquiescing in Italy's defiance of the League, and still more that South Africa was being left to act alone, he was not prepared to oppose the Government's action. "The Government have taken a certain action. They say we propose to relax and abandon sanctions. I am not complaining of the Government taking that action. I am only pointing out what the alternative is."

Mr. King outlined the Government's policy with respect to sanctions in terms that he used on October 29 last :

... in the present instance, when an earnest effort is being made with wide support to test the feasibility of preventing or at least terminating war by the use of economic sanctions, and when there is no room for doubt as to where the responsibility rests for the outbreak of war, and having regard also to the position taken by Canada at the recent Assembly, the Canadian Government is prepared to co-operate fully in the endeavour.

As for the future, Mr. King confined himself to generalisations. After a review of the international situation he said : "Under such conditions it is clearly impossible for a country like Canada to make binding commitments to use economic force or military force." He concluded his speech with a vague benediction of the League :

In spite of all discouragements, in spite of the failure of premature efforts, the ideal of world peace is not only sound, it

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is the essential condition of the survival of civilisation and human life itself. So far as Canada is concerned, there is no danger to our national unity and our economic recovery so serious as participation in a prolonged war. We must continue to work earnestly toward the ideal of world peace. To that end we must utilise constructively the League of Nations—that indispensable agency which the conscience of mankind fashioned on the morrow of the greatest international disaster of all time, and bequeathed to our own and future generations.

Both Mr. Bennett and Mr. King were disinclined to stress the seriousness of the League's failure, and Mr. King in particular found himself on congenial ground in expatiating on the great moral work left for it to do. The *Winnipeg Free Press* is not so comforting. Writing on the day of the announcement of the lifting of sanctions it said :

The big news of the day is that the League of Nations has been torpedoed. . . . That a tame, denatured League of Nations will continue may be taken as settled . . . but the real League has been destroyed, as everyone must admit who knows the purposes for which the League was fashioned.

Commenting at a more recent date on Canada's position, the same paper says :

What are the obligations and commitments which Canada will have to get under if this country is going to continue to exist in this happy world which has rejected the fad that peace should be kept by international law and joyfully put itself under the rule of force, the law of the jungle? This thought which they have resolutely put aside they will not be able to dodge much longer. Notwithstanding Mr. King's comfortable words the other day, time will show that, taking the long view, Canada had a much greater interest in collective security than the Government of this country had any idea of when it fell in with the grand idea that the time had come to put the League out of business.

But the *Winnipeg Free Press* is the exception that proves the rule. No other Canadian newspaper of standing has followed its strong lead. While many of them have expressed sympathy with Ethiopia and detestation of Italy's conduct, practically none has suggested that Canada as a member of the League must accept its share of the blame for the pitiful failure.

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And if this is true of the press, it is largely true also of the public, which appeared to acquiesce in the practically unanimous judgment of Parliament that Canada had no alternative but to follow the other members of the League in abandoning the sanctions that she had joined with them in imposing. The reason for this remarkable unanimity—unanimity is practically unknown in Canada, particularly in respect of external affairs—is not far to seek. One-third of our people, the French-speaking section, with unimportant exceptions, never believed in the League and were in no way distressed by its failure. Of the other two-thirds, even those who are strong believers in the League felt that, with Great Britain taking the lead in abandoning sanctions, Canada could do nothing but follow.

What of the future? Needless to say, public opinion is extraordinarily confused, and leadership is not forthcoming, least of all from the politicians who, conscious of the strongly divergent currents of opinion, maintain an almost complete silence. The three main schools of opinion may be described, following a Canadian letter that appeared in *The Times* in April, as follows :

(1) The Isolationists, or one hundred per cent. North Americans, who think we should dissociate ourselves entirely from the League, which is primarily concerned with European affairs.

(2) The Imperialists, who still have the attitude of 1914, when Canada, practically without question from any of the Anglo-Saxon elements in the country, became an unlimited partner in the war.

(3) The Collectivists, or those who recognise that we cannot evade foreign responsibilities but are prepared to assume them only as a member of the League.

It would be idle to guess the relative strength of these three elements, but it should be pointed out that the French-Canadians, one-third of our population, would on the whole fall in the first group. Of the three groups, the isolationists regard the events of the past year as a complete vindication of their view. The imperialists draw the moral that we should abandon all hope of peace and security through

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the collective system and set to work to arm so that we may be prepared to play our part by the side of Great Britain if war comes. The collectivists, in spite of the disastrous reverse of the past year, maintain that the collective system is still the best, indeed the only, hope of a peaceful world, and that it has not been tried and found wanting, but found difficult and not tried. Which being so, what we must do, they feel, is to rebuild the League and re-dedicate ourselves to its principles.

Such a description of the sharp divergences of opinion between various groups in this country may suggest that the situation is very much the same as in Great Britain and other Empire countries. Each has its quota of isolationists, imperialists and collectivists. But, apart from the question of the relative strengths of the three groups in Canada and, say, Great Britain, there are certain significant differences to which attention may be called. In Great Britain, the moral drawn from the events of the past year by practically all groups has been that the country must re-arm speedily and on a great scale ; and they have had the political power to carry that policy in Parliament. In Canada no such moral has been drawn. If the collective system is dead and each country must look to its own defences, the tendency is for a very large and increasing number of Canadians to feel that the United States and the Atlantic and Pacific Oceans should provide sufficient defence for us.

It must regretfully be admitted that at the moment the outstanding fact about Canadian opinion is that isolationist sentiment has been enormously strengthened ; and isolationism in Canada means accepting the implications of the country's geographical position and moving more and more into the orbit of the United States. The imperialists and the collectivists may kick against the pricks, but there is reason to fear that the former are too few and the latter too confused and undecided to have much effect on public opinion or national policy. A strong lead from Great Britain might work a decided change in the situation, but

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that at present is not forthcoming except in the direction of re-arming, which appears unlikely, as has been said, to win much support in a country that seems so safe from attack and is staggering under a heavy load of debt.

On this view of Canadian opinion, the idea apparently held by many English Conservatives unfriendly to the League, that in turning from it Great Britain will be able to compensate herself by increased support from the Empire, seems, so far as Canada is concerned, utterly fallacious. Far from favouring a more effective Empire co-operation outside the League, many people in this country will have exactly the opposite feeling—that, with the League emasculated, co-operation in foreign affairs among the various parts of the Empire will become much more difficult.

It may be argued in reply that Great Britain has no intention of reducing the League to impotence, but on the contrary has declared herself in favour of rebuilding it on a more realistic basis, in the light of what recent events have shown to be possible. If this means a system of regional sanctions, the question arises whether such a League would be consistent with a close-knit and effectively co-operating British Empire. If, for example, Great Britain is to restrict her responsibility under a redrafted Covenant to western Europe as distinguished from eastern Europe, what becomes of Canada's responsibility in the event of an invasion of Belgium or France? So long as the principle of the Covenant is that peace is indivisible and a war against one is a war against all, the responsibility of Canada is clear. But if the principle is adopted that peace is divisible, and liability is limited on the basis of geographical nearness to the scene of trouble, there is reason to fear that, whatever might be true of the other more exposed Dominions, in Canada the effect would be to accentuate the already marked drift towards North American isolationism. If it is argued that the various Empire countries have sufficient community of interest to ensure unity in a crisis, let it not be forgotten that the whole trend since the war has been towards greater

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independence of action, and that this trend is likely to be intensified, as has already been suggested, if the various members of the Empire are taught to think of the maintenance of peace in regional, limited liability terms. So long as Great Britain's policy was full support of a Covenant based on the principle that peace is indivisible, the Empire was a unit. The contradictory action of South Africa and the other Empire countries in respect of sanctions may well be significant of what we can expect in the future if the new regional principle is adopted. If this view is well-founded, the real choice is not between a strong League and a strong Empire, but between a strong League and a disintegrating Empire.

II. DOMINION-PROVINCIAL FINANCIAL RELATIONS

AN indication of the gravity of the Canadian financial situation as it affects the relations of the Dominion and the provinces is to be seen in the recent proposals for the setting up of a loan council for Canada. That the provinces, always jealous of their autonomy, were prepared to consider such a proposal is significant. That the proposals have not yet passed from the sphere of discussion will surprise no one who is acquainted with the extreme difficulty attending discussion of dominion-provincial relations. The fact that the discussions have gone as far as they have is enough to indicate that the stern logic of the depression has pushed the question into a realm far removed from the cherished notions of the constitutional lawyers, whose arguments seem, in retrospect, to have achieved most profundity when the problems of the country were relatively simple. To-day, the difficulties confronting the Canadian economy are such that both the provinces and the Dominion are in a mood to consider remedial proposals on other grounds than those of mere constitutional validity.

It has long been apparent that the economic and political difficulties that faced the Canadian federation at its inception have by no means disappeared. A long, narrow country—

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a country at all only by virtue of a transportation system very heavily subsidised by the state—it has its own peculiar problems. It was necessary, for example, that it should have a tariff in order that traffic should be made to move east and west, rather than north and south across an international boundary. The country's economic life depends largely on the export of raw products, such as wheat, which are produced in areas far distant from the seaports. To the producers of these commodities the cost of transportation is a deduction from the world price, and there are continual efforts to have it reduced. The tariff, which was necessary to give traffic to the Canadian trans-continental railways, raises the price of the instruments of production to the producers, and an antagonism is thus set up between the sections of the country interested in the export of primary products and the industrialised areas, which are regarded as having obtained all the benefits of the tariff. For example, Nova Scotia, generally speaking, is in thorough agreement with the western provinces that the tariff bears most unjustly on them both, while favouring Ontario and Quebec. It happens, of course, that the latter provinces contain the largest part of the population, and it is felt that they use their political power at Ottawa to perpetuate an injustice to other parts of the country. When the depression came, it struck the producers of raw products at first with special severity, which accentuated the long-standing feeling that the Canadian confederation distributed its favours unevenly.

Significant instruments of depression policy—for instance, the tariff and the control of money and banking—were within the jurisdiction of the Dominion Parliament, which was felt outside Ontario and Quebec to be chiefly representative of the industrial provinces. The tariff was substantially raised, and, while certain attempts were made to adjust monetary policy to the needs of exporters of raw materials, they were inclined to feel that on the whole “sound money” policy had been too closely followed.

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The situation has been rendered more difficult by the fact that certain areas in the western provinces have been subjected to an unprecedented drought during the last few years. Crop failures in the rural areas and the relief problem in the towns have wrought a great strain on provincial and municipal finance in the four western provinces, while relief has of course been a heavy burden in all provinces. Free use has been made in the western provinces of the credit of the Federal Government by way of advances. These advances cannot go on indefinitely, and the new Minister of Finance has quite properly insisted on some discussion of dominion-provincial financial relations. It should be added that the provinces that have received this aid have been inclined to regard it as their right to receive certain assistance from the federal authority. Policies of the Federal Government have, they argue, borne heavily upon them, in particular its invasion of the field of direct taxation despite the fact that it also enjoys the right of indirect taxation, which is constitutionally denied the provinces. They question the justice of the Federal Government's placing upon them any part of the burden of relief, because they feel that the magnitude of the relief problem is largely due to its own mistaken policies. For these and other reasons the discussions on dominion-provincial relations now going on are likely to be but a beginning of a very necessary examination of the whole Canadian structure of government in the light of economic fundamentals.

An example of the typical provincial view on taxation matters is seen in the report of the Alberta Taxation Inquiry Board on provincial and municipal taxation, which appeared last November. The general view expressed is that the Dominion has invaded what was held to be the provincial field of taxation, while the provinces have invaded what was previously held to be the field of municipal taxation. Meanwhile, the Dominion has tended to shift a burden of national social obligations on to the provinces,

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which have then shifted what they could of this new burden on to the municipalities. The municipality not only cannot shift its increased burdens, but at the same time finds its field of taxation narrowed. The main source of municipal revenue is real estate taxation, and the burden on property has become extremely heavy. It is in this strain on municipal finance that the depression may most clearly be seen at work on the Canadian economy.

The question of the division of the tax burden between the different taxing authorities arises in various forms. For example, in Alberta the total cost of education in 1933 (excluding the university and the normal schools) was \$9,295,551, of which the provincial government contributed \$1,587,798, or 17 per cent. The rest was a burden on the local school districts, the revenues of which are drawn from property taxation within the district. The assessment of property in school districts varied from \$3,175 to \$550,000 and the tax rate for schools varied from 2 mills * to 63 mills. It is apparent that the burden of education, which is surely in some sense a national service, is very unequally distributed. In 1934, there were 402 school districts in default in Alberta, and the salaries of rural school teachers were in arrears to the extent of \$265,720.

One obvious remedy for such a situation would seem to be a larger unit of taxation than the school district, of which there are 1,500 in the province. This would certainly equalise the burden as between districts, but it would not shift the burden as a whole from the owners of real property, which is the fundamental difficulty. The land tax, which is the municipalities' main source of revenue, has become intolerable to owners, as is made plain by the increase in tax arrears and in seizures for taxes. There is much to be said, on grounds both of educational policy and of administrative efficiency, for the view that education should be regarded as in some degree at least a national function.

* A mill is a rate of one-tenth of one per cent.

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The Alberta Taxation Inquiry report already referred to has this to say :

The situation in respect to the cost of education borne at present by municipalities cannot be ignored. The view that a national service such as education should depend to a great extent on the financial exigencies of local municipalities is rapidly being dissipated by the harsh logic of events, and the more enlightened application of the principle of national responsibility for a service so national in character has become urgent.

It need only be added that the views here outlined concerning education are held also with respect to other services, such as provision for health insurance, unemployment relief, and old age pensions. It is felt that the cost of such services should not be saddled on the inferior units, but that provision should be made for them by the provinces or the Dominion, on the ground that these jurisdictions have access to other sources of revenue, which are a better measure of capacity to pay than is the ownership of real property.

The comment has frequently been made by British visitors to Canada that it would be better were the tax on real estate to be levied on a basis of its earning power, rather than on an assessor's valuation of capital value, which often bears no relation at all to actual market value. In theory this is sound enough, but in practice it makes no difference to the fact that whichever basis is used all the property-owners bear all the taxation so long as real property is the sole source of taxation. Similarly a tax on rents, to be paid by tenants, will in a period of depression be shifted back upon the property-owners. The remedy for the difficulties of municipal finance—which are basic difficulties in the Canadian situation—does not lie in any such proposals, but rather in relieving the municipalities of functions that can be better performed by the provinces of the Dominion. The Bradshaw report of July 1934 on taxation in the City of Winnipeg recommended that provincial grants to the city for educational purposes should

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be increased by 50 per cent., and that the province should pay to the city 25 per cent. of the amount of provincial taxes paid by the citizens of Winnipeg—for example, income, liquor, and gasoline taxes. It also proposed the elimination of certain provincial levies on the city. If any such proposal were to be implemented, it would mean, of course, a great reduction in provincial revenue. The provinces would naturally turn to the Dominion for relief. It becomes apparent that the problems of federal, provincial, and municipal finance are not three, but one, and any intelligent discussion must proceed on that assumption.

Some figures on the financing of unemployment relief in Alberta will reveal the pressure on the three jurisdictions.

<i>Total cost.</i>	<i>Dominion share.</i>	<i>Provincial share.</i>	<i>Municipal share.</i>
(a) October 4, 1930, to March 31, 1935.			
\$22,498,007	\$8,111,300	\$9,234,157	\$5,152,550
(b) Year ended March 31, 1935.			
\$4,624,788	\$1,327,530	\$2,096,995	\$1,200,263

The total expenditure of the province for the year was about $15\frac{1}{2}$ million dollars, with a deficit of over $1\frac{1}{2}$ millions, debt charges accounting for 41 per cent. of the total expenditure. The whole of the provincial share of relief in the above figures has been capitalised. The situation in the cities and municipalities of Alberta is equally serious.

During the four financial years 1929-33 the debts of all the provinces increased by 48 per cent. Only 5 per cent. of this increase was due to deficits on ordinary account, the remaining 95 per cent. being attributable to relief and to improvements such as highways, which were in most cases in the nature of relief expenditure. Most items of ordinary expenditure of the provinces during that period showed a decline.

It is apparent that the provinces have their own troubles, and had the province of Saskatchewan instead of Alberta been taken as an illustration the urgency of the problem

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would have been seen to be even more extreme still. Possible new sources of revenue have been thoroughly explored, the usual suggestions being a provincial tax on wages, which has been very productive, if very unpopular, in the province of Manitoba, and a provincial sales tax. If the latter proves to be beyond the competence of the provincial legislatures, it is proposed that a share of the dominion sales tax should be given back to the provinces. The argument in favour of this proposal has become much more pertinent since the Federal Government has increased the dominion sales tax to the unprecedented figure of 8 per cent.

The Proposed Loan Council

In his budget speech of May 1, 1936, the Dominion Minister of Finance discussed at some length the serious state of provincial finances and his plan for setting up a loan council, by means of which the Dominion might exercise some control over the spending of the provinces. He pointed out that these matters had received a great deal of time and attention at the dominion-provincial conference held in the preceding December, and that a continuing committee had been set up, consisting of himself and the treasurers of each of the provinces. He said that it was no secret that the credit of the four western provinces had been maintained in recent years only by the financial support of the Federal Government, and that this support had gone so far that the Dominion was in the position of being the largest single creditor of these provinces. Agreement had been reached at the conference that the Dominion should undertake to initiate an amendment to the British North America Act that would (1) validate certain taxes now imposed by some of the provinces and give the provinces power to levy a tax on retail sales—a power that it has hitherto been extremely doubtful whether the provinces possess; and (2) enable the Dominion to guarantee existing or future debts of a province, as well as enable a

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province to give the Dominion adequate security for such a guarantee by the pledge of its Dominion subsidy and, if necessary, of other specific revenues. Assuming that such an amendment to the British North America Act were procured, the Dominion would then set up (1) a National Finance Council consisting of the Federal Minister of Finance, the nine treasurers of the provinces and the Governor of the Bank of Canada, to serve as a "permanent mechanism for mutual discussion for taxation, investment, and other financial problems, with advisory powers only"; and (2) individual loan councils consisting of the Federal Minister of Finance, the treasurer of the single province concerned, and the Governor of the Bank of Canada, such a council to have power "to approve any programme for the refunding of the debt of the province, and also to supervise future borrowing by such province."

An appreciation of the magnitude of the problem here involved may be obtained from an examination of the amount of federal loans to the four western provinces.

Loans to Provinces under Relief Acts.

Net Amount outstanding at March 31, 1936.

	<i>Loans specifically to meet maturing obligations and interest.</i>	<i>Loans specifically for agricultural relief including purchase of seed grain.</i>	<i>Loans for provincial purposes generally including public works and direct relief.</i>	<i>Total.</i>
	\$	\$	\$	\$
Manitoba .	1,139,455	244,400	14,121,000	15,504,855
Saskatchewan	3,934,341	13,892,633	30,541,655	48,368,629
Alberta .	8,577,000	3,322,000	13,182,000	25,081,000
British Columbia .	11,262,109		16,310,571	27,572,680
	24,912,905	17,459,033	74,155,226	116,527,164

The security in every case for these advances consists of short-dated treasury notes of the provinces. In no case are the maturities of these treasury bills later than June 22, 1937, and they bear 3 per cent. interest as from July 1, 1936, although before that date they bore higher rates.

The position of the Dominion Government, in view of

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these discussions with the provinces and the proposed constitutional amendment, was that after March 31, 1936, it would not ask Parliament for authority to grant financial assistance to enable a province to meet a maturing obligation, or to provide for other ordinary provincial expenditure, unless the loan council had approved the advance. As regards advances for relief purposes, however, the Government would presumably continue to make advances under parliamentary authority as heretofore. There was, during the month of March, an interesting exchange of communications between Mr. Aberhart's Government in Alberta and the Federal Minister of Finance. Mr. Aberhart had requested an advance of \$2,650,000 from Ottawa in order to meet a debenture maturity on April 1. He was not, however, willing to agree to that measure of control of his provincial finances which the Minister of Finance considered essential. The parties having failed to come to an agreement, the province of Alberta defaulted on the obligations that matured on April 1. The province of Saskatchewan, on the other hand, having expressed a willingness to participate in the loan council arrangement, received an advance from the Bank of Canada to meet a maturity on May 1. It is true, of course, that Mr. Aberhart, committed as he is to certain unorthodox doctrines of finance, was in a more difficult position than the Premier of Saskatchewan in this matter.

The Minister of Finance, in his budget speech, also said that he was prepared to make it possible for a province whose borrowing proposals had been rejected by the loan council to proceed on its own if it were selling its issue in the domestic market. If, however, external issues were contemplated, or if the whole outstanding debt of the province had been guaranteed by the Dominion, approval by the loan council would be necessary. This was as far as he was prepared to go in modifying the conditions of assistance that had troubled Mr. Aberhart.

The next development in a matter already complex

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enough came from an unexpected quarter. The Senate, under the leadership of Senator Meighen, refused to approve the legislation contemplated. It has been noted that part of the Bill would have put beyond question the power of a province to levy a sales tax. The province of New Brunswick—relying on the uncertain state of the law on the matter—had already enacted a sales tax, but under its provisions there was a power to discriminate against incoming products of another province. There seemed no limit to this power, and it was easy enough for Senator Meighen to show that such legislation, if countenanced, would be the equivalent of a protective tariff for the province of New Brunswick. Such interference with inter-provincial trade is, of course, expressly contrary to the British North America Act. The Senate accordingly threw out the whole Bill. It seems a fair comment that proper draughtsmanship might have saved the loan council proposals from such a fate.

Here the matter rested until on June 25 the Finance Minister announced a proposal to set up a national committee on financial questions "on a purely voluntary basis"; he emphasised the desirability of regular and frequent meetings with the provinces for the discussion of common problems in the field of finance and taxation. It is proposed that such a committee be a permanent organisation, meeting twice a year and provided with its own secretarial staff. The matter is thus back exactly where it was in December last at the dominion-provincial conference. It is obvious that there is a need for such an organisation, but it is equally clear that there is really little will for it. The provinces have had a long training in getting from Ottawa what they wanted by political pressure, and they do not yet see any reason for changing their methods. Ottawa, too, has never yet faced squarely just what is involved in the economics of a federal State, and its only rule in dealing with provinces is to give as little as possible. The situation is too grave for such atti-

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tudes to be allowed to continue, and the only remedy lies in a thorough examination of the whole Canadian economy and, in particular, of the special problems arising in a federal State. It is seriously to be hoped that the Minister of Finance will see as one of the first tasks of his proposed national committee the carrying out of such an examination. Australia has amply demonstrated that the results of such a study are of vital significance for a federal union.

A discussion of the Australian loan council experience, and the possibilities of its application to the Canadian situation, took place recently at a meeting of the Canadian Political Science Association. It was pointed out that the genesis of the problem was different in Canada, in that the Australian experience had dated from a period well before the depression. It was also shown that in Australia the loan council had never attempted to control the expenditure of the proceeds of federally guaranteed loans, whereas such control would seem to be a necessary part of any Canadian scheme. In so far as the wealthier provinces of Canada would probably not see much reason to come into the scheme, it could in no way be regarded as a project for co-ordinating the public finances of the provinces and the Dominion. Anything short of such a co-ordinated scheme would not, however, be of much value in the Canadian situation. For that reason it was proposed that a permanent committee to advise the loan council should be set up, consisting of professional economists and men with financial experience, and that this committee should concern itself with the fundamental questions of the Canadian economy in their bearing on public finance. In an economy subject to such rapid changes as the Canadian economy is, there does seem merit in the proposal for such a permanent body. There is however, little evidence that either the Dominion or the provinces are yet ready to shed any sovereignty in the matter of financial control of their respective jurisdictions.

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In conclusion, one or two special observations might be made. It has been apparent for some time that the western provinces are in a serious position, and if the question had not been so pointedly raised by Mr. Aberhart through his arbitrary reduction of interest rates it would certainly have been raised by someone else. Neither Mr. Aberhart's proposals nor his procedure are likely to win approval, but his problem must be recognised. A committee is at present at work assessing the capacity of Alberta to pay, and it is expected that when this report is completed conversations may take place between Mr. Aberhart, Mr. Dunning and representatives of the bondholders in the hope of reaching some agreement as to what can be paid. It is time that this whole question was examined on a realistic basis in the light of the facts ascertained.

AUSTRALIA

I. THE TRADE DIVERSION POLICY

WHILE the tariff proposals of 1935-36 were under discussion in the Federal Parliament, Sir Henry Gullett (Minister without portfolio, directing negotiations for trade treaties) announced the adoption of a "trade diversion" policy. It had been decided to widen the margin of preference for certain goods, and to apply a licensing system over a limited range of imports. The aim of the new policy was declared to be to increase Australian exports of primary produce, expand secondary production, and divert to countries already great customers, and likely to become greater in the future, some of the trade now going to countries that bought little from us. At the same time it was hoped that the new measures would help to place the country's "financial affairs in a sound and enduring position", make "a significant indirect contribution to defence" and hasten the day "when immigration can be resumed on a basis not harmful, but helpful to every industry and worker in the country". In other words, the tariff and the import licences are to be used to accord preferential treatment to the goods of certain nations, especially of Great Britain, and to regulate Australia's London funds. The same instruments, supplemented where necessary by bounties, will also be used to establish or expand local industries.

The trade diversion policy must be interpreted together with the Customs Tariff Act, 1936. The most important features of that Act are the provision for the intermediate rate (actually re-introduced by the tariff resolutions of November 1935), the imposition of specific rates on certain piece goods imported from foreign countries,

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increased duties on oregon logs and tobacco, and the imposition of duties of 5½d per lb on unassembled motor-car chassis from foreign countries, 2½d per lb on those from Canada, and a further 7d per lb on all imported chassis irrespective of origin.

Under the licensing scheme, the importation of specified commodities (unless of Empire origin) will be prohibited except with the consent of the Minister of Trade and Customs. Licences are to be granted freely for all countries with which Australia has a favourable trade balance, and for others in regard to which, although the trade balance is unfavourable, the Government is satisfied with the position. For other countries they will be granted more freely as and when the trade position improves.

Motor-vehicle chassis are in a special class. They are not to be imported from any country other than the United Kingdom except with the consent of the Minister of Trade and Customs. Until Australia seemed likely to become involved in a trade war with Japan, most of the public discussion centred itself around this proposal.

The Government's decision to give strong and decisive encouragement to the establishment of the motor-chassis industry in Australia was separate from and independent of the general scheme of trade diversion. Its attitude is that the local market is now big enough to support such an industry, raw material and technical knowledge and skill are available, and a large part of nearly every car now in use in Australia is made locally and the rest should be. Whatever objections may be brought against this part of the Government's policy, it can advance a strong case on the grounds of defence.

The textiles mainly affected by the new policy are cotton and rayon piece goods. Here the Minister was obviously concerned at the decline in British imports during the last few years. In 1935 the imports of artificial silk from foreign sources represented nearly 90 per cent. of our total imports, and unless some steps were taken a similar position

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would exist with respect to cotton goods. The Government therefore decided that it would no longer "look with indifference to the effect upon the Australian interest of these swollen and still swelling arrivals of cotton piece and artificial silk piece goods", and would grant preference to British products.

Before the 1936 tariff was imposed, the duties on cotton piece goods were :

ad valorem :—5 % British, 25 % Foreign.

primage :—5 % British, 10 % Foreign.

The new duties are :

	<i>British Preferential Tariff.</i>	<i>Inter- mediate Tariff.</i>	<i>General Tariff.</i>
Unbleached, per sq. yard .	$\frac{1}{2}$ d *	$2\frac{1}{2}$ d	$2\frac{3}{4}$ d
Bleached, " " "	$\frac{1}{2}$ d *	$2\frac{3}{4}$ d	3d
Printed, dyed or coloured, per sq. yard	$\frac{1}{2}$ d	$3\frac{1}{4}$ d	$3\frac{1}{2}$ d

* or 5 per cent., whichever is the less.

Primage duties are abolished on British cottons and reduced to 5 per cent. on foreign.

On artificial silk textiles the former duties were :

ad valorem :—20 % British, 40 % Foreign.

primage :—10 % British, 10 % Foreign.

The *ad valorem* duties were displaced by specific duties, and primage duties were abolished on British goods and reduced to 5 per cent. on foreign. The new rates are :

	<i>British Preferential Tariff.</i>	<i>Inter- mediate Tariff.</i>	<i>General Tariff.</i>
Per sq. yard	$1\frac{1}{2}$ d	8d	9d
with provision for by-law admission at the rates of			
Per sq. yard	$\frac{1}{2}$ d	3d	3d

The by-law rates will apply to artificial silk ordered before March 15 last and entered by November 30 next,

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in respect of goods the value for duty of which is not more than 7d per square yard.

The country most affected by the new textile duties and the licensing system is Japan. For more than a year past negotiations have been in progress for the conclusion of a trade treaty between the two countries, but the Australian Government had almost abandoned hope of agreement when the new policy was announced. The immediate effect of the announcement was an unofficial boycott. Japanese buyers in Australia ceased to buy wool and flour and most of the other products that make up the Australian export to Japan. This was followed on June 25 by an official announcement of an ordinance under the Japanese trade protection law whereby imports of wool, wheat, or flour into Japan were prohibited except under licence and an import duty of 50 per cent. *ad valorem* imposed, in addition to the ordinary import duties, on hides and skins, beef tallow, beef, butter, condensed milk, and casein.

Until the Japanese Government took this action, the Australian Government remained silent as to the course the negotiations were pursuing, but when news of this ordinance was officially communicated to him, Mr. Lyons made an announcement.

I would like you clearly to understand (he said) that the responsibility lies with the Japanese manufacturers and exporters who, during the past two or three years, continuously and drastically, have reduced their prices to levels against which no European country or the United States of America could compete, except upon a diminishing and insignificant basis in this Australian market.

In making these reductions Japan had lead

the advantage against all other countries of much lower wages, longer working hours, cheaper raw materials, a substantial advantage by currency depreciation, and lower freight rates because of her relative proximity to the Commonwealth.

The extent to which these price reductions have been carried was illustrated by the fact that

THE TRADE DIVERSION POLICY

in February last the average price of artificial silk imports from the United Kingdom was 14d, from Belgium 14½d, France 38½d, Germany 28½d, United States 14½d and from Japan 4½d. In 1932 Australian imports of artificial silk piece goods from Japan were 8,400,000 square yards at an average value per square yard of 8.3d sterling. Three years later, in 1935, the Australian imports from Japan were 65,800,000 square yards at an average price of 4.8d sterling. The quantity was increased eight times as the price was almost halved.

When we endeavoured with the Japanese representatives in this country (said Mr. Lyons) to reach a friendly agreement that would have the effect of limiting these imports of textiles to the Commonwealth, but of still leaving them a very large share of our textile trade, they replied after consultation with their Government that they must insist upon the retention of 90 per cent. of our trade in artificial silk, and that there should be no restriction whatever on the quantity of cotton piece goods imported and no alteration in the duties prevailing on these goods.

They went further, and made it clear to us that if their wishes were not respected, and if we varied either the quantity of the Japanese import or the prevailing duties, they would take action against us. In other words Japan attempted to limit our tariff-making powers.

More than that. In correspondence with my Government they have said in effect that useful discussion could take place upon our import of Japanese textiles only when we had given Japan a share of the market in other goods now enjoyed by goods of British origin. So that we have here both a declaration that if we altered our duty rates against Japan we would suffer harmful trade restriction, and a plain proposal that we should jettison our whole policy of reciprocal Empire trade.

Japan has for some years been a very powerful and valuable influence in the Australian wool market, and there is a fear in Federal parliamentary circles that she may be disposed to exploit the fact. Should that fear be well founded, the disposition is likely to grow as her purchase of Australian wool increases, and with the growth of Australian imports from Japan there will be larger interests in that country to support the Government if it should see fit to demonstrate against Australian tariff charges. However regrettable a trade war may be, Australia must insist that her tariff policy is a matter for her own decision.

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Not unnaturally many of the graziers are perturbed at the news of the Japanese trade restrictions, but in general there is a tendency to await further developments. As yet it can scarcely be said that public opinion has crystallised.

The Cement Duties Controversy

While the 1935-36 customs tariff proposals were before Parliament a controversy of some dimensions was aroused by the unwillingness of the House of Representatives to accept the recommendation of the Tariff Board that the duty on cement produced in the United Kingdom be abolished. The Tariff Board had made its recommendation on the grounds that local manufacturers were now in a position to sell cement below the duty-free cost of imported British cement, and that the previous duty of 1s. per cwt was being used to cover excess profit-taking in an industry which is over capitalised. The Board's aim was not to encourage the importation of cement but to force a lower selling price.

The ostensible cause of the opposition to the Government's proposal was the plea that the industry would be destroyed in the less populous States, but there was persistent and determined lobbying and much press agitation by the interests involved. During the course of the dispute the Home Government intervened so far as to draw the attention of the Commonwealth Ministers to their commitments under the Ottawa agreement. Ultimately a compromise was arrived at whereby British cement will be subject to a duty of 6d per cwt until December 1, 1936.

II. THE GERMAN COLONIAL QUESTION

ON March 13, Senator Sir George Pearce, Minister for External Affairs, made a statement concerning Australia's policy with respect to the mandated possessions. He showed how little substance there is in the claims of the "Have-not" Powers that colonial possessions provide

THE GERMAN COLONIAL QUESTION

outlets for their surplus populations or guarantee access to raw materials. Any re-adjustment or general settlement made with the dissatisfied nations should, he contended, be made "within the framework of international justice and order". He endorsed the general sentiments of Sir Samuel Hoare's statement in the House of Commons on December 5, and concluded by saying that the Commonwealth Government concurred in the Ministerial statement recently made in the House of Commons that the British Government had not considered and was not considering the handing over of any of the British colonies or territories held under mandate.

This, and the publication of Herr Hitler's Peace Plan with its oblique reference to the same subject, aroused a brisk controversy in the local press. Newspaper correspondence and the reports of lectures and addresses showed that the subject was one upon which there was marked difference of opinion, and even more strongly marked difference of feeling.

It was argued on the one hand that the German demand was not altogether unreasonable and that concessions might be desirable. Germany could not be expected to accept the principle that the forcible seizure of colonies was just until the end of the Great War, and unjust thereafter. Whether the possession of colonies did or did not solve the problem of securing access to raw materials, and provide outlets for surplus population, if the German sense of injury, injustice, and inferiority could be removed by surrendering Togoland or the Cameroons, the price might not be too high. If, indeed, surrender of the mandate for New Guinea should be demanded in the interests of world peace, the sacrifice might still be worth making. Moreover it might be a decided advantage to have another European Power with interests in the Pacific, and with its possessions between Australia and the Far East.

The counter opinion was expressed with greater heat. Germany forced a war upon the world and lost her colonies ;

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she must abide by the consequences. Australia's share of these colonies had been purchased with Australian blood. To restore the natives to the tender mercies of the Germans would be to betray a sacred trust. Australia had achieved a tremendous task in organising a health service and stamping out disease; could that task now in honour be abandoned? A mandate, transferred to Germany, would cease to have meaning; was she not notoriously unscrupulous in respect of treaty obligations? Her undertaking not to fortify the territory or enlist the natives for other than police purposes would be another "scrap of paper", and the result would be a Maginot line in the north of Papua. Having got the Germans out of the Pacific we must keep them out. Once back they might ally themselves with our enemies. In any case, to make concessions for the sake of pacifying Germany would be to repeat Æthelred's mistake, and the new form of Danegeld would prove as futile as the old.

The champions of restoration withstood this somewhat fiery assault quite sturdily. Like all such controversies, it simply faded away, but it seemed to reveal that very strong feeling could be aroused by what was taken to be a proposal to propitiate Germany at the expense of Australia.

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I. THE PARLIAMENTARY SESSION

JULY—the month during which these lines are being penned—is the pleasantest month of the South African year. Except in the comparatively small winter-rainfall area in the south, it is a month of days of bright, unbroken sunshine and cold, crisp nights, with the highveld air at its most tonic and invigorating. Moreover it is the most generally popular holiday month. And so, mercifully, July has come to be the one month in the year relatively free from the political alarms and excursions that are so dear to the heart of at least the rural South African. The fact that the parliamentary session usually ends in June encourages the tendency to regard the month that follows as a breathing-space, before the political battle is resumed on the platforms and in the market-places throughout the land. This year July fulfils its traditional rôle with more than ordinary acceptability. The parliamentary session has exceeded the average in length, having commenced on January 24 and concluded on June 17. And there lie ahead of us provincial election campaigns, which promise to be fought with more than ordinary virulence, and which will certainly make the months of August, September and October, from the political point of view, more than ordinarily unpleasant.

The chief factor in the lengthening of the session was the protracted discussion of the Natives Representation Act.* Since, whether for weal or woe, it dealt with South Africa's greatest problem—it may fairly be described as epochal in importance—it was natural that it should have absorbed

* A full account of this legislation will be found in THE ROUND TABLE, No. 103, June 1936, pp. 528 *et seq.*

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a large amount of parliamentary time. But it gravely embarrassed the Government in the carrying out of its legislative programme, and at the end of the session the number of slaughtered innocents was very considerable. Even so a good deal of useful constructive legislative work was done. As a complement to the Natives Representation Act a Natives Land and Trust Act has been passed, practically in the form in which it was drafted by the Joint Select Committee of both Houses to which were referred General Hertzog's original Bills. The essence of this Act is that it implements the promise made as far back as 1913, when the Natives Land Act was passed with the object of preventing natives from purchasing land in European areas, the promise, namely, that additional areas would be set aside as native areas in which they might acquire land for themselves.* In theory, this legislation was recognised on all sides from the outset as marking a big step forward, despite certain clauses that might be made to operate harshly in respect of native labour on the farms. It was urged, however, that it was one thing to set aside areas in which natives might acquire land, quite another thing to provide the means to enable them to do so. Everything, it was said, would depend on the Government's readiness to provide loan funds for this purpose. In a sense, indeed, this issue provided a test of the good faith of a Government that had just deprived the Cape native of his almost century-old right of voting on a common roll with the European and the coloured man. It is gratifying that the Government should have responded to this test as well as it did. During the second reading debate General Hertzog announced that funds amounting to £10,000,000 would be voted within the next five years for the purchase of land for natives, and that any further sums which might at any time appear to be necessary for that

* For details see *THE ROUND TABLE*, No. 100, September 1935, pp. 723 *et seq.* A further discussion of this measure will appear in a later issue of *THE ROUND TABLE*.

THE PARLIAMENTARY SESSION

purpose would immediately be provided. It would seem that in respect also of the economic development of the natives the 1936 parliamentary session is likely to mark an epoch.

From legislation dealing with natives Parliament passed naturally enough to legislation dealing with Asiatics. An article in an earlier issue * reviewed the complicated question of Asiatic land tenure in the Transvaal. The essential points are that Asiatics may not own land in the Transvaal, save in streets, wards and locations assigned to them for habitation under the Republican Law of 1885 (which in practice do not exist), that in respect of proclaimed land in mining areas like the Witwatersrand there is a prohibition of Asiatic occupation as well as of ownership, and that this latter restriction has never very adequately been enforced, with the result that there is in fact a good deal of illegal Asiatic occupation and trading, more especially in Johannesburg and the adjacent mining towns. The Act of 1932 sought to deal with this aspect of the problem by providing for the legalisation of such occupation in certain areas and on individual sites to be specified. A strong Commission under the chairmanship of Mr. Justice Feetham was appointed to make recommendations as to the areas and sites so to be dealt with, and to compile a register of legal and illegal occupation for the future. In its report, however, it also made certain recommendations for the amendment of existing legislation, for the most part in the direction of the relaxation of restrictions. Nearly all of these Parliament has accepted, but it has gone further. It has agreed that, subject to a resolution of both Houses of Parliament, Asiatics should be allowed not merely to occupy but also to own land in the areas that are to be specified. Since occupation and ownership in these areas will not be limited to Asiatics, the underlying principle is not necessarily one of segregation. For the first time the principle

* See THE ROUND TABLE, No. 101, December 1935, pp. 188 *et seq.*

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has been accepted than an Asiatic may in his own name own land in the Transvaal in an area in which Europeans also own land. That, having regard to Transvaal history and sentiment, is an important advance towards a more liberal policy.

To three other enactments of the parliamentary session reference is necessary. A Broadcasting Act, based on the precepts of Sir John Reith and the example of the British Broadcasting Corporation, puts an end to the private monopoly hitherto existing, and creates a public utility company, to be known as the South African Broadcasting Corporation. It is to be entirely free from government interference or political bias, and is required to pay due regard to English and Afrikaans cultural aspirations and sentiments alike. It will be interesting to see how, in this difficult land, it meets this last requirement. Secondly, a Sugar Act has been passed regulating the affairs of the dominant industry of the Natal coastal belt. The sugar industry, being unable to produce at world prices, maintains equilibrium by means of a high domestic price of $3\frac{1}{2}$ d per lb for refined sugar, secured by government action, which enables it to sell its surplus production oversea at a price under cost. The new legislation provides for the control of the industry by agreements entered into between growers, millers and refiners of sugar, and protects the interests of the small grower by determining the basis on which cane will be purchased from him by the miller, but it also requires that in addition to white sugar at $3\frac{1}{2}$ d per lb there will be made available to the public a grade sugar at $2\frac{1}{2}$ d per lb. Finally, as one of the main legislative achievements of the session, must be mentioned a new Insolvency Act, another important contribution by General Smuts as Minister of Justice to the modernisation of the Union's statute book. In it, in addition to the consolidation of the existing law, a large number of valuable changes of a far-reaching character have been made.

THE UNION AND THE WORLD

II. THE UNION AND THE WORLD

THE significance of a parliamentary session can of course never be measured merely by the legislative work performed. This year's session has been rendered particularly important by the clarification of the Government's policy and attitude on important issues. Three such issues stand out. They may be considered separately, but the Government's policy in regard to them constitutes a coherent whole. First there is South Africa's attitude towards the League of Nations. Here, as all the world knows, South Africa, through her Prime Minister, General Hertzog, and her representative at Geneva, Mr. de Water, has taken up an uncompromising attitude in opposition to the abandonment of sanctions against Italy. Her view has been—one can but hope against hope that it is a wrong view—that the abandonment of sanctions means a vital breach in the principle of collective security, and portends the downfall of the League. Moreover, she has not been uninfluenced by the consideration that a common adherence to League principles promised to be a most effective link between the member States of the British Commonwealth.

Then there is South Africa's attitude towards the Commonwealth. Very emphatically has the Prime Minister emphasised South Africa's appreciation of the value of her association with her friends within the Commonwealth—"There is no nation," he said, "among the nations of the world to-day, that is ready to do what Britain is prepared to do for us, and there is not one nation that has done what Britain has done for us." Very emphatically, too, has been indicated the willingness of South Africa, while she retains her freedom of decision in regard to participation in any war, to consult with Great Britain and the rest of the Commonwealth in matters of defence. And that indeed was the primary purpose of the recent visit of our Minister of Defence, Mr. O. Pirow, to London.

Finally, there is South Africa's attitude towards the

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continent of Africa, and especially British Africa. Clearer and clearer does it become that South Africa is aspiring to a position of leadership in respect of a large part of the continent. Last year she initiated, and acted as host to, two important pan-African conferences, one on health, and one on postal and telegraphic communications. She has now issued invitations to a third such conference, this time on transportation. Moreover, it is clear that her defence policy is based on the principle that she may be called upon to assist other British communities in Africa. The general outlook of the Union has been immensely broadened in recent years. It has become essentially an African outlook.

All these policies stand in relation to the issue of the Italo-Abyssinian war, which indeed provides a bond of unity between them. That war has made South Africa think of the temptation that her own "Naboth's Vineyard"—the Witwatersrand—presents to a would-be aggressor. It has made her realise that her real frontier is the Kenya-Abyssinia border. It has brought home to her the danger of a return of Tanganyika Territory to Germany—and it is believed that one of the objects of Mr. Pirow's mission to London was to state South Africa's views in this regard. It has made her see in a strong League of Nations a bulwark against any such retrocession. It has brought home to her the danger of attack from an African base by means of the fast-moving aircraft of to-day, against which the British fleet could be no protection, though the principle of collective security might. And with the failure of that principle in action, it has strengthened her desire to consult with and avail herself of the support of (in General Hertzog's words) her "best friend". At the end of his visit to London, Mr. Pirow emphasised that there is a ninety per cent. coincidence between the interests of the British and the Union Governments. The South African eye, its vision no longer limited by the Limpopo, to-day scans the African horizon with anxiety, and it finds not even a measure of

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reassurance, till it pierces the distance that separates it from London.

III. THE POLITICAL FUTURE

SO much for the parliamentary session that is past. It remains to review future political prospects. As already indicated, there will this year be general elections in each of the provinces. These will not be fought on provincial issues, but are regarded by all sections as a preliminary trial of strength in anticipation of the parliamentary elections due in 1938. There can be little doubt that these elections will show that the United party can still command a majority in the country as a whole, substantial enough, though not as large as that which it has at present in Parliament. It is true that during its three-and-a-half years of office the Government has inevitably incurred a measure of unpopularity, but none of the Opposition parties is in a position to-day fully to exploit that unpopularity. The Nationalist Opposition, led by Dr. Malan, is unhappy over the question of republicanism. Dr. Malan has adopted as his slogan "A republic, but not necessarily in our time". Some of his Transvaal followers have broken away from him because of the qualification, while in the Cape influential elements in his party are restive at the bare mention of the word "republic". For the rest, he can but seek to unite the forces of reaction with the battle-cry "South Africa alone", reverting to the narrowest isolationism of pre-coalition Nationalism, opposing South Africa's support of the League, ridiculing any expression of friendship for the British Commonwealth, and insisting that South Africa must, now and for all time, declare that she will not participate in any war in which Great Britain might become involved. Up till six months ago the Nationalists were definitely making headway, especially in the Free State, General Hertzog's stronghold; since then their progress would appear definitely to have been checked.

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Then there is the Dominion party, led by Colonel Stallard, the formation of which goes back to the opposition to the Status Act of 1934, which has found its chief inspiration in the cry "South Africa an integral and indivisible part of the British Empire", and which has made its appeal primarily to that section of British sentiment which is more British than the people of Great Britain. The speeches of General Hertzog indicating his attitude towards Great Britain, and the obviously increasing effectiveness of co-operation between South Africa and the Commonwealth in matters of defence, have robbed it of much of its *raison d'être*. To-day, it seems to be devoting itself more and more to an exploitation of whatever popular dissatisfaction with the Government's domestic policy there may be. It won a by-election at East London eighteen months ago; it has failed in subsequent attempts, while registering sufficiently large polls to embarrass the Government. At a general election it would probably increase its present representation of five in the House, though not by very much. It is the Labour party that has at present the most hopeful prospects, especially on the always mercurial Witwatersrand. To it the discontented urban voters most naturally turn, and it has in fact already won two by-elections in that area. At the forthcoming elections for the Transvaal provincial council it will almost certainly win the bulk of the Witwatersrand seats, the more so as Dominion party candidates, while not strong enough to win seats, will split the anti-Labour vote. But Labour's prospects, like those of the Malanite Nationalists, are also marred by internal dissensions, in this case of a personal nature, and while the party remains predominantly an English-speaking party, though the workers are coming to be predominantly Afrikaans-speaking, it cannot expect to become a factor of first-rate importance in South African politics.

The United party Government's position would therefore seem to be assured for some little time to come. It

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is, however, an unwieldy party, and as such subject to stresses and strains the full effect of which has hitherto been obscured by the dominance of the leadership of Generals Hertzog and Smuts. Urban and rural interests are not always easy to reconcile within the party; there is a liberal group within its ranks, small but not uninfluentia, and there are those whose political philosophy has more than a tinge of fascism; there is always the danger of personal rivalries, though so far these have not been very apparent. What will happen when one or both of the leaders fall away, no one can say. Sooner or later, no doubt, there will be a new alignment in South African politics, almost certainly on purely economic lines.

Meantime the preliminary census figures have given a portent of political change. There has been a big shifting of population from the country to the towns, especially to the Witwatersrand. Not for much longer will the rural areas enjoy political predominance in South Africa. At the same time the urban population is coming to be increasingly Afrikaans-speaking in its composition. It seems inevitable that the time will come when a political party composed primarily of workers in industry and commerce, without regard to language or descent, will be able to make a serious bid for political power.

NEW ZEALAND

NEVER, probably, since 1891 has Parliament engrossed the interest of the people of New Zealand to such a degree as during the last three months. Assured of a majority of about three to one in the popular chamber, and in the upper house of two to one, Mr. Savage and his colleagues have been able, in drafting their measures, to express exactly what they want to do in order to implement a policy that has been maturing during a whole generation in opposition. Labour certainly knows quite clearly what it is after, and is yet in no danger of meeting obstacles in parliament. In none of its measures has there been any suspicion of trimming; the party is "going the whole hog". The weak and often jaded Opposition has made its vigorous protest, and again and again such taunts as "Socialism", "Hitler" and "Mussolini" have been hurled across at a party that receives them all smilingly. The Government is making full use of the parliamentary steam roller. Each measure having already been presented to the party caucus, the rank and file as a rule takes no part in the debate, leaving it to the Opposition to stonewall, to the Minister in charge to explain and defend, and to the Prime Minister to ask for declarations of "urgency" or the closure as occasion demands. Under such conditions Bills have gone through all stages with machine-like regularity.

The Government has taken the country into its confidence to a pleasing degree, heralding each new measure by Ministerial forecasts a week or two before its introduction. Mr. Savage's part has been mainly to soothe the fears of some troubled sections of the public, assuring them that nothing will be done by his party except in the

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public interest, and that the millennium will inevitably emerge from their legislation. Critics and friends alike have noted with satisfaction the evident determination of the new Government that New Zealand shall find its future in the British Commonwealth of Nations, drawing closer the ties with the Mother Country and the other Dominions and looking to them in the first place for markets and imports.

The interruption of the Address-in-Reply debate by the appearance of the Government Railways Amendment Bill was an earnest of the promptitude with which legislation was to be brought forward. The main object of this Bill was to honour the election pledge of the Labour party to reverse the policy of government by boards and commissions. It abolished the Railway Board and restored full control of the service to the Government, which has administered it with one or two short intermissions since pioneer days 70 years ago. The Minister (Mr. D. G. Sullivan) declared that there had never been a majority in the country in favour of operating the railways as a rigid commercial system. The second reading was carried by 52 votes to 17, numbers that varied very little in later divisions of the session. This debate made it obvious that the Government aimed at full state control, if not ownership, of all forms of transport. The Leader of the Legislative Council (Mr. M. Fagan) announced on April 22 that it was intended to safeguard for the people any betterment accruing to lands from the construction of railway lines. The Council passed the Bill by 23 to 6 (the opponents being all nominees of the late Government).

I. LABOUR'S FINANCIAL PLAN

ON the second business day of the session, the Minister of Finance (Mr. Walter Nash) introduced his Reserve Bank Bill, the first move in a gradual unfolding of the Government's financial policy, which is in effect full

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control of the currency and credit of the Dominion. The Government has bought out the whole of the private share capital of the Bank (£500,000). Anxious to do complete justice to shareholders, it has paid £6 5s. for each £5 share, the market price on the day of the general election. "We felt," said Mr. Nash, "that we had to maintain the sanctity of contracts unless (it) definitely prejudiced the welfare of other people." The distinction between Government and shareholders' directors no longer exists, but the same personnel will continue in office, as well as the governor and the deputy-governor. In the original Act of 1933 the Reserve Bank was charged with controlling monetary circulation and credit in New Zealand in order to promote the economic welfare of the Dominion. Its duty now is to give effect to the monetary policy of the Government, to which end it shall

regulate and control credit and currency in New Zealand, the transfer of moneys to or from New Zealand, and the disposal of moneys derived from the sale of any New Zealand products for the time being held overseas.

The Bank is no longer restricted as to the amount of government securities it may purchase; it may underwrite any government loan; and it may grant overdrafts either to the Government or to any statutory authority for the purchase and marketing of New Zealand produce. The Government henceforward will be able to borrow from the Bank on treasury bills up to the limit of its estimated revenue for the year; under the old Act it was restricted to half. The Minister may suspend or vary as he thinks fit the provisions for the exchange of Reserve Bank notes into sterling for immediate delivery in London. The Bill gives authority for controlling the transfer of all funds to and from New Zealand. Speaking on the second reading on April 3, Mr. Nash said :

We want central control of our credit and we want to be able to control the transfer of money from this country to other countries. . . . We want to ensure that all the exchange that is

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produced by the sale of commodities in this country for export overseas goes through the Reserve Bank. Having done that, we will make the exchange available to the trading banks in the quantity that is necessary to enable them to do the work we have set out to achieve. The first principle of the Bill is to transform every semblance of private control into complete State ownership in every way. We propose to achieve complete control of sterling credit overseas, and to give power to the Bank to suspend the right of anyone to receive sterling. . . .

Overdrafts will be granted only to government departments handling products mainly for export overseas. That is linked up with the guaranteed price policy, which is referred to later.

The debate disclosed phase by phase the Government's ultimate policy of advanced socialisation, which drew the whole-hearted opposition of the minority in the House. The Opposition contended that everything the Government sought could be better obtained through the collaboration of state and private enterprise under government supervision. The policy of a guaranteed price for produce challenged the whole existing economic system. The Prime Minister intervened with one of his soothing assurances.

The time had come (he said) not only to have power to legislate so as to enable the people to get access to the means of producing wealth, but to shape the way for the people to get access to that wealth when it had been produced. What was the use of it all unless that was done? . . . The Government wanted to work with the bankers, and they could do it. The Government had no more intention of operating the banking system from the Cabinet room than of going to Wellington Hospital to operate on the patients there. The Government would be the master of the situation, just as it would be the master of every other public service.

Assets would be brought into being equal in value to the total expenditure.

The Government called for urgency on the Bill (which it was hoped to pass before Easter), and the closure was employed to shorten discussion. The Minister explained that every person in the Dominion who produced goods

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would be paid for them in New Zealand currency and would be able to use the money in New Zealand. Anyone requiring credits for importing goods into New Zealand would be able to get them from the funds in London, after the Government's requirements for interest and other debt services had been met. This surplus would be available automatically through reciprocal trade agreements for the importation of British goods into New Zealand. "Goods that could be economically manufactured here should be made in the Dominion, and those that could not would be purchased from Britain through the sale of our products." The Government is not interesting itself at present in any London balances except those held by the Reserve Bank.

If the necessity arises for the Government to have, through the Reserve Bank, complete control of the credits that have been built up by the export of New Zealand goods, then we will want to have complete control, and we propose to take it under the Bill.

The division on this Bill, on April 6, was : For 51, against 16. The Government had the support of the two members of the Country party and one Independent. The Bill passed through committee without amendment, and had its third reading (by 55 to 17) at the end of a sitting which lasted 22 hours. Mr. Nash was practically the sole speaker on behalf of the Government.

The debate in the Legislative Council on the same day carried the mind back irresistibly to the time 40 years ago when Ballance and Seddon, the forerunners of these reformers of to-day, had their policy measures rejected again and again by the Council. Ballance demanded that the Governor (Lord Glasgow) should call to the Council a sufficient number of new members to swamp the opposition and enable the Government's policy to be put into effect. Glasgow demurred, but was instructed by the Colonial Office that he should take the advice of his Cabinet. The Legislative Council to-day is not in quite

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the same position. Not only is the lesson of 1892 a "select document" in the memory of New Zealand legislators, but about one-third of the members of the present Council were appointed by the Labour party to fill vacancies a few weeks after they took office. Several of the old members spoke critically of the Bill, but bearing in mind that it was a money measure, which the Council could not amend, they allowed the second reading to pass without a division. Sir Charles Statham (who for 13 years was Speaker of the House of Representatives), in his first speech in the Council, reminded members that though they could criticise it was no part of the duty of the Council to obstruct the policy of the Government of the day.

Having thus initiated its new finance, the Government spent a great part of the Easter recess in consultation with its supporters, who had assembled in Wellington for the annual conference of the New Zealand Labour party. The Minister of Finance, in his retiring speech as president, delivered a triumphant record of achievement and encouragement.

Life is maintained (he said) on goods and services. Goods and services are only possible through work. . . . Capitalism has shown the possibilities of production. Its spirit—the spirit of acquisitiveness—has perished in its effort. The task to be taken up is ours. We must organise production and distribution. Work must be the title to wealth. Idle labour and unused resources insult the governing authorities, while hunger in the widest sense, hunger for food, clothes, shelter, leisure, culture, and freedom, are with us in any measure. The remedy is organised production for use—co-operative production—individual use; a new economy of human living, to ensure which requires unqualified community command over natural resources, from which all things needful for life have to be drawn. Social ownership of natural resources—social control of the methods of utilising these resources. . . . I see no other way of solving existing problems than that of the co-operative commonwealth.

The ambition of the party, he said, was to make New Zealand "the first effectively socialistically-controlled country in the world". But he warned his hearers not

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to be impatient or try to drive the Government along too fast. The Prime Minister also put in a timely word of warning

'There will be no attempt on the part of the conference to interfere with the policy. The Government alone is charged with the development of Labour's policy along the best possible lines, and there can be no interference from outside either in matters of policy or of administration.

It would be idle to suggest that the first instalment of the Government's policy left the country unmoved. Since the early weeks of the year an uneasy apprehension has prevailed in business circles. When the session opened these fears grew. The financial revolution could scarcely be without repercussions; and promises and commitments made by individual Ministers left it clear that considerable additional sums would have to be provided from taxation. The unemployment fund was already over-spent, and it was admitted that the estimated revenue of £3,900,000 from unemployment taxes would not nearly suffice. The Minister (Mr. Armstrong) has now disclosed that the Cabinet has promised an additional £2,250,000, although the unemployment taxes themselves are not to be increased.*

II. MARKETING BY THE STATE

WHEN Parliament re-assembled after Easter it was presented with another major Bill providing for the marketing of New Zealand produce by the State and the payment of a guaranteed price to producers.† Mr. Nash explained that the measure was designed to protect the producer against market fluctuations. The method was

* The budget, presented on August 4, provided £1,710,000 for improved and additional pensions, to be paid out of £1,000,000 from increases of income tax and £800,000 from the reinstitution of a graduated land tax. The remainder of the increased expenditure was estimated to be covered by the natural buoyancy of the revenue—*Editor*.

† See THE ROUND TABLE, No. 103, June 1936, p. 646.

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that the Crown should purchase the produce at prices to be fixed from time to time and sell it overseas. As for produce intended for consumption in New Zealand, the Government could either purchase outright or merely control the sale and distribution. For the present, dairy produce only is to be purchased, but the shipping of all produce will be under state control. The Primary Products Marketing Department is established, to arrange for the acquisition of produce on behalf of the Crown and for its sale in New Zealand or overseas whether the Crown acquires ownership or not. The department absorbs the functions and most of the personnel of the Executive Commission of Agriculture, established in 1934. Dairy produce has a wide definition, but for the season opening on August 1 the Act will affect only butter and cheese. The produce becomes the property of the Crown as soon as it is shipped free on board, and thereafter the department has to carry out all the duties of handling, shipping and insurance. As soon as the Government assumes ownership, payment will be made to the company or other owners of the factory. Trading outside the state channels—or “bootlegging”—will be dealt with drastically. Price fixation will be by Order-in-Council.

For the coming export season (the Minister said) prices will be fixed after taking into consideration the prices received in New Zealand in respect of dairy produce . . . exported from the Dominion during a period from eight to ten years immediately prior to July 31 this year. After the next production year, prices will be fixed on the same grounds but with regard to the following additional considerations :

The necessity in the public interest of maintaining the stability and efficiency of the dairy industry.

The costs involved in the efficient production of dairy produce.

The general standard of living of persons engaged in the dairy industry in comparison with the general standard of living throughout New Zealand.

The estimated cost to the department of marketing the dairy produce concerned and also the cost of general administration.

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The prices fixed after July 31, 1937,

shall be such that any efficient producer engaged in the dairy industry under usual conditions and in normal circumstances should be assured of a sufficient net return from his business to enable him to maintain himself and his family in a reasonable state of comfort.

Prices can be fixed for the local market whether the State purchases the produce or not, and it will be the aim to give the producer the same return as if his produce were exported. The property of the Dairy Board in the National Fern Leaf design, registered in the United Kingdom, passes to the Crown.

Mr. Nash, in a logical, clearly reasoned speech, introduced the Bill as a component part of the Government's credit policy and balanced economy. Managed economies, he said, were operative in many countries; indeed, New Zealand was one of the last to take the step. Our difficulty was not the utilising of our resources, but finding a market for the produce. "Too much of the wealth of the country went to people who were clever, and the Government was anxious to see that a larger return went to the people who did the work." The fixing of prices on the average of the past 8 or 10 years would prevent harmful speculation.

We will try to give the farmer what he is entitled to, and what he has never had, not even from a farmer's government—decent prices for the work he does. If his wife has got to work—and I hope she won't have to work—then the price to be paid to him ought to contain a sum that will compensate her for her share of the work.

Finally he declared that the Government's policy was based on reciprocal agreements with Great Britain, since "this policy can't be carried out effectively unless we have the goodwill of the Old Country." In his peroration Mr. Nash said :

We are trying to build a national economy that will give individuals the rights to which they are entitled—one door that every human being can shut to be inside with the sanctity of his own thoughts, one gate that every family may close, but a

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barrier round these shores—no. We ask the people of the Old Country, when we have helped our own people to get the things they are entitled to, to come out here and live with us. There is plenty for all in this wonderful little country.

Mr. Coates joined issue at once against “this radical and untried experiment”, which he intended to oppose as far as the forms of the House would permit. The fight was carried on with vigour and stubbornness for several days and nights. Mr. Savage intervened with a characteristic assurance that nobody would be harmed. He scoffed at the epithet “red socialism”.

I do not care what colour it is. I call it ordinary common sense. The guarantees to the farmers must rest upon guaranteed incomes for other sections of the community. Does anyone deny that that is a right thing to do? People who want to bring goods from Great Britain to New Zealand can only do so when the New Zealand people have the money to buy the goods. So the sooner that happens the better for New Zealand, for London, and everybody else concerned.

In discussion with dairy farmers the Minister of Finance said that if rising costs called for it the fixed price would be revised. There was no intention for the time being of limiting the quantity of dairy produce on which the guaranteed price would be paid. To the extent that Great Britain gave New Zealand a market, the Government would guarantee to allocate the credits from such sales for the payment of interest on debts and for meeting any other commitments, and to place the balance at Great Britain's disposal for imports into New Zealand. This country could be best served by exporting the maximum of our products to Great Britain. New Zealand was inextricably linked up with the policy of Great Britain, not only now, but he hoped for all time.

Private members on the Government side again refrained from debate and accepted with smiling cordiality frequent and vehement charges of socialism. The Opposition drew harrowing pictures of the sturdy pioneers of a century ago turning in their graves at such a spectacle. Several

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members suggested a referendum of dairy farmers, and an amendment was unsuccessfully moved to refer the Bill back to the Government. There were six applications of the closure and twenty divisions. In the Legislative Council an amendment providing for a referendum was defeated by 23 votes to 10. On May 25 the appointment of Mr. Nash to be Minister of Marketing was announced. He will probably go to England in October.

Another measure of considerable though minor economic importance, the State Advances Corporation Bill, was introduced in the last week of the session. The Minister of Finance paid a generous tribute to Sir Joseph Ward, whose State Advances Department (established in 1894) was, he said, "the greatest single event from a monetary point of view that had taken place in New Zealand politics"; and to Mr. Massey, whose policy of advancing 95 per cent. on the building of houses, even if it had created difficulties, had at any rate got the houses built. The new measure revives a name and departmental status both of which were lost when the functions of lending were transferred (in 1935) to the Mortgage Corporation. Here again the private share capital is being bought out on strictly fair terms. This adjustment will cost the State about £281,000. The capital will be maintained at £1,000,000, all contributed by the State. The management and directorate of the State Advances Corporation is practically as before, only the chairman retiring. The appointments henceforth will be made by the Government. The main business of the Corporation is to grant loans on land, giving effect to the policy of the Government. Whereas in the past the limit that could be advanced was fixed by law at $66\frac{2}{3}$ per cent. of the value, the new Bill empowers the Corporation, if the Government desires, to lend a larger proportion of the value, the Government guaranteeing it against loss. New Zealand is short of housing requirements to the extent of 20,000 dwellings, and special emphasis is laid on housing. For this purpose the department

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will make loans to local bodies, and the Government will itself embark upon building until the leeway is made up. The Corporation may also make loans for industrial development and take shares in companies to safeguard its interest. Loans to farmers for purposes of production will be based on the earning capacity of the land, which again will be determined by the guaranteed price for produce.

The debate was interrupted on June 4 by an amendment proposing to finance operations by "costless credit". It was ruled out of order as being an appropriation, but the Minister of Finance made an interesting comment. If all the money requirements of the Dominion were made free of interest, he said,

that would destroy the foundation of the Post Office Savings Bank, from the view of interest earning; it would destroy such concessions as bonus payments on life insurance policies with the State, and it would have its effect on local-body finances which are linked with the State. We could not select some aspects of our financing and apply that policy without applying it to all of them. I admit that there is a section of the credit which is rightly under the control of the Government, that could be utilised at a minimum cost and maybe at no interest whatever. I am not saying that such a step would be taken, but that section of the country's credit has hitherto been used by private enterprise. We want to use it ourselves, but for the use of the entire community and for its benefit. But to do that with these corporation bonds, as has been suggested, would create a big tangle. As it is, we have taken the power to issue the bonds under ordinary circumstances. We will determine what interest will be fixed.

Mr. Nash later declared that people who were prepared to lend money in New Zealand at $4\frac{1}{2}$ per cent. with a reasonable margin of security had nothing to fear from any mortgage legislation of the Government. Mr. Savage remarked that the Government meant to keep its contracts with everyone;

but we will not make another contract that will keep the farmers and others working for the people who control the money system. We will see to it that in the future the people of this country will be working for themselves.

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III. LABOUR LEGISLATION

MEMBERS of the Opposition admitted freely enough that a complete overhaul of the New Zealand labour laws was overdue, and regretted not having taken action earlier. In introducing one of three measures which he described as his "treble", Mr. H. T. Armstrong (Minister of Labour) remarked that since coming into office he had scrapped 500 regulations that appeared to be obsolete. The contention of the Labour party is that for some years past the law has not been enforced and that workers did not dare to insist upon their rights for fear of dismissal. In the first week of the session Mr. Armstrong brought down a comprehensive amendment of the historic and already much amended Industrial Conciliation and Arbitration Act of Mr. W. Pember Reeves. Its main interest is the restoration of the right of either party to a dispute to have it referred to the Arbitration Court for settlement when proceedings in the Conciliation Council fail. Like the other measures, this Act provides for a general 40-hour (8 hours a day) week unless in any particular case the industry can convince the Court that it is impossible. It also provides that within three months the Arbitration Court shall fix a basic rate of wages for all adult male and female workers in industries covered by agreements or awards, such rate to have regard to general economic conditions and to the cost of living.* The adult male worker is to be given sufficient, in the opinion of the Court, to enable him to maintain himself, his wife and two children in a reasonable standard of comfort. In fixing the 40-hour week, ruling time-rates of pay are to be increased so that the ordinary weekly wage shall not be reduced. Saturday work is discountenanced.

Moving the second reading, Mr. Armstrong said :

Whatever may have caused bad times in other parts, of the world there is no excuse for economic distress here. At one

* See THE ROUND TABLE, No. 103, June 1936, p. 643.

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time the social legislation of New Zealand was the envy of the world, but to-day it is lagging behind and there is more poverty than at any time I can remember. The purchasing power of the people of this country must be increased in proportion to the increased production, otherwise it is an economic impossibility for them to purchase the goods. The higher the standard of living maintained the better for the employers, whether they be manufacturers or farmers. The useful section of the community has everything to gain and nothing to lose by this legislation.

These debates brought out a radical difference in the point of view of the opposing parties in the House. The Government believes that New Zealand can provide well for all her people and that the benefits of the machine age should go to the worker.

We are going to build our own standards in a fertile country through the efforts of a race of people who can hold their own with any other race on earth (said the Prime Minister on April 22). We are going to be masters of our own standards. Must we get our standard down to a level that will enable us to compete with the industrialists of the East?

The Opposition contends that costs must rise enormously as the result of such measures and that New Zealand is restricted by what she can get for her products in the export market. Mr. Forbes complained that in all the Bills the employer was put in the position of Public Enemy No. 1.

Mr. Savage told an anxious deputation of the New Zealand Manufacturers Federation that he had in mind protection through increased duties, through licensing imports and so forth. Secondary industries were necessary. Mr. Nash reminded the manufacturers that the Dominion was linked to a large extent with the United Kingdom and should not jeopardise the marketing of £40,000,000 worth of her produce. The Dominion had to take goods from Great Britain in order to be paid for her produce; there was no other way. "We have yet to determine what these goods shall be," he continued. "They will be goods we can least economically produce

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in this country." The Opposition resisted vigorously the clauses embodying compulsory unionism and the formation of Dominion-wide unions. In view of invitations held out to unions to affiliate with the Labour party there is a widespread fear that pressure may be applied to that end. The second reading of the Bill was carried by 50 votes to 17 on May 7, and the Legislative Council passed it by 24 votes to 7.

By the Employment Promotion Bill the Government consolidated most of the functions of the unemployment boards in the hands of the Labour Department. Increases have been made in relief rates. Raising the rate paid to workers on relief in the country to that paid in towns involves an extra charge of £3,000 a week. Men in unemployment camps have also been placed on standard rates of pay with a five-day week of 40 hours.

New rates of relief payments were announced by the Minister of Employment on April 21. Single men on relief work will now receive 21s. a week instead of 17s.; married men 38s. 6d instead of 27s.; and married men with seven children 66s. 6d a week. The sustenance rates for men who are not at work is now 17s. a week for a single man (as against 14s.); and so on. Relief work rates apply equally to Maoris and Europeans, as the Government is anxious to encourage the Maori worker to create better housing and home conditions. It remains to be seen whether this will have an injurious effect on the promising Maori land settlement policy upon which Sir Apirana Ngata has spent the best part of a useful and energetic lifetime.

The new Government has been criticised for its hasty decision to resume work on the construction of two lines of railways that were suspended when the depression came and abandoned by the Railways Board. These are the East Coast railway in the North Island and the gap in the South Island Main Trunk. In announcing a three-year programme of works, which will cost £17,500,000, the

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Minister (Mr. R. Semple) laid on the table an agreement he had arrived at on behalf of the Government with the employees of the Public Works Department. They are to get 16s. a day and a five-day week of 40 hours; and the Minister says "they will have to measure up to Public Works standard and be willing to give a decent day's work for a decent day's pay." On this topic Mr. Semple has since spoken out with refreshing vigour to workers who have shown a disposition to criticise or obstruct. The Motueka section of the New Zealand Workers Union having passed a series of resolutions hostile to the agreement he had made, and demanding that workers as well as farmers should be guaranteed a certain wage, he insisted that they should be rescinded, and when the rescission and an apology reached him he gave a final word of warning with characteristic brusqueness :

Thanks for same. All I ask of your section, and public works workmen generally, is service, loyalty and goodwill. If these are forthcoming I shall endeavour to be the friend of the workmen. On the other hand, if malingering, wrecking or organised disturbances are created without any logical reason, as in your case, you can expect from me no quarter.

Mr. Semple claims to have found the Department so depleted of up-to-date machinery that he has had to place orders in England for £75,000 worth of plant. It is interesting to find him making part of his policy the system of co-operative contracts. His own experience in carrying out a big job on this principle was very remarkable; but it had generally been understood that the Labour party disapproved of the system as not providing for the man who could not pull his full weight.

Mr. Semple was the sponsor also of Bills reorganising the transport system so as to bring it entirely under the authority of the Government. Replying to objections against making the final court of appeal the Minister himself, he said :

We have tried the board, but it has miserably and hopelessly failed. Even if I am called a "Hitler" or a "Mussolini", let me

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say we are copying the English Act. At Home the Minister of Transport is the final court of appeal so far as road transport is concerned.

That competition between road and rail is to be rigidly eliminated has been evident in announcements, both before and since the passing of the Act, of the purchase by the state of private motor-bus services. Led by Mr. Coates, who made his best speech of the session, the Opposition resisted the transport Bill, fearing that it foreshadowed the abolition of private enterprise in favour of government ownership of all forms of transport—a charge that the Government took no trouble to refute.

IV. BROADCASTING CONTROL

PARLIAMENT has led the way in the British Empire in having its proceedings broadcast. Up to now only selected debates have been broadcast, but the experiment was so well received that the Government has decided to investigate the possibility of allowing people to hear parliamentary proceedings at their pleasure. The complaint of listeners who are not interested in parliament will probably be met by providing a special station for the parliamentary broadcast.

The control of broadcasting, which for some years has been entrusted to a board more or less independent of the Government, was transferred back to the State (represented by the Postmaster-General) in the last contentious Bill of the session. The board is abolished and a director will be appointed under the direct control of a Minister. It is even suggested that this form of publicity, of which the Government intends to make full use politically and socially, will be the care of a special department and Minister.

The Government is going to be the master of publicity (said the Postmaster-General, Mr. F. Jones), and is not going to wait for the newspapers or the Opposition to tell the people what it is doing. The people have the right to know the best and the worst, exactly what Parliament is doing.

BROADCASTING CONTROL

The present Government, which during long years in opposition has always stood for freedom of speech, has shown every earnest of treating the other side fairly in this respect. The newspapers were the subject of a vigorous attack which was perhaps undeserved, at least in the way in which it was expressed. Though the press of New Zealand as a whole opposed Labour strenuously when it was in opposition, it has treated the party since its victory at the polls generously and even cordially.

It only remains to be said that Labour is confident of its ability to see that the benefits for which it has legislated shall not be diverted from those for whom they are designed. Price fixation and wage fixation are to go hand in hand. At the time of writing, price increases are being reported in various businesses, and the Prime Minister is threatening to make an example of offenders by prosecution. To counteract any disposition of landlords to take advantage of the higher wages a Fair Rents Bill was introduced on June 2, basing rents on those ruling at May 1, 1936. A "fair rent", which shall be fixed by a magistrate, shall not exceed the basic rent (May 1) or the rent payable on November 27 last (election day), whichever is the lower.

Apart from the uneasiness arising from the new legislation, and the imminence of a budget calling for much heavier taxation, the outlook in New Zealand is bright. Post and telegraph and customs returns, sales tax and other forms of public revenue are buoyant; and the wool sales for the season just closed yielded about £10,000,000, or twice as much as a year ago. An uncomfortable feeling is created, however, by the census results. In the last ten years New Zealand has gained in population only 165,343, or 11.74 per cent., as compared with 10.73 per cent. in the five years 1921-26.

THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in the different parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. To this is added a careful and impartial treatment of outstanding international problems that affect the nations of the Commonwealth. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents, who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE serves to reflect the current opinions of all parts about Imperial problems, and at the same time to present a survey of them as a whole, in the light of changing world conditions.

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

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DANGER SIGNALS FOR THE COMMONWEALTH

THE failure of the League over Abyssinia and the progress of rearmament have fundamentally changed the problem that confronts the nations of the British Commonwealth. Until six months ago the majority of people, both in Great Britain and in the Dominions, thought of foreign problems in terms of world peace—of how the League machinery could be used to prevent wars that did not directly concern British territory. That era has passed. They have now to consider foreign affairs as affecting their own security. In these circumstances THE ROUND TABLE sees only danger in not facing frankly the realities that now confront us. For it is only by facing facts that we can save ourselves from again being misled by some of the illusions that have recently beguiled us.

I. THE BREAKDOWN OF THE LEAGUE

THE first thing to realise is that the League of Nations as a system of universal security has completely broken down. It has broken down partly because of defects in its own constitution, and partly because of the new facts created by universal rearmament. The League can still do an immense amount to promote world peace. But it cannot give security to its members through the universal and automatic obligations of Articles 10 and 16 of the Covenant. Security now depends upon armaments and upon far more explicit military undertakings, between individual States, than are contained in the Covenant.

DANGER SIGNALS FOR THE COMMONWEALTH

The fundamental reason for this breakdown of collective security, as has often been pointed out in these pages, is that the Covenant leaves intact the full national sovereignty of its members. That, as the experience of every league of sovereign States has proved, makes inevitable four fatal weaknesses. A league of sovereign States can seldom, if ever, agree about important issues, and there can be no method of arriving at a decision by majority vote. It is unable to alter the *status quo* in important respects, because such alteration can be made only with the consent of the members most concerned, which can hardly ever be obtained. It is unable to abate economic nationalism, and economic nationalism inevitably produces such economic and social dislocation as to make democracy almost unworkable. Finally, if a league of sovereign States attempts to coerce one of its larger and more powerful members the instrument that in the last resort it must use is war, for that is the only way in which a powerful Government can be coerced against its will.

These fatal defects are inherent in any form of league or confederation of sovereign States. It is perfectly true that the world would have been far better off to-day if the ideas originally formulated by President Wilson had been carried out in their entirety. If all nations had been members of the League, if all or nearly all had been democracies, if all had accepted free trade or low tariffs and had cancelled or immensely reduced war debts and reparations, and if all had disarmed, we should certainly be both more prosperous and in less danger of war than we are to-day. But none of these things happened, because national sovereignty forbade them. When the League came into being it did not set about revising the more extreme discriminations against the ex-enemy Powers, as Wilson had hoped. On the contrary, under the influence of France, it became the principal agency for enforcing the Treaty of Versailles. And when it attempted to give effect to the guarantees against aggression contained in Articles 10 and 16 of the Covenant the

CAPITALISM, COMMUNISM AND FASCISM

League failed in the three critical cases of the Chaco, Manchuria and Abyssinia, for the reason that no member was willing to risk war in order to vindicate the Covenant.

The common reply that the League would work if all its members lived up to their obligations is invalid for three reasons. The first is that the economic action against the aggressor provided for by the Covenant is inadequate unless it is both universal and backed by a readiness to go to war. The second is that sovereign States will not incur the risks and sacrifices of war unless their own vital national interests are involved. The third is that a peace system which rests upon the use of war is as unlikely to lead to a peaceful world as was the grand alliance against autocracy that won the victory in 1918. As an instrument of security, therefore, based on the automatic obligations embodied in the Covenant, the League is "*functus officii*" and the sooner this fact is recognised by the excision of these obligations the sooner will the nations reach the method of preserving freedom and peace that is most practical in a world that insists on national sovereignty.

II. CAPITALISM, COMMUNISM AND FASCISM

BUT before coming to the consequences for the British Commonwealth of the breakdown of the League as a system of collective security, let us examine two other aspects of the contemporary problem in more detail. The first is the gradual internationalising of the conflict between communism and fascism. The second is the effect of economic nationalism and rearmament.

Few thinking people will dispute that the broad ideal of socialism, namely, that the economic system should function for the benefit of all the people rather than for the exclusive benefit of its capitalist owners, is playing the same part in contemporary politics as the idea of democracy began to play from the date of the American Revolution onwards. We have seen it in the rise of socialist and labour parties everywhere. Inside the British Commonwealth and in other

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democratic countries we have been quite content that the method, if one can be found, whereby work at good wages can be guaranteed to all, and the present inequality in wealth greatly diminished, without lowering the general standard of living and destroying individual responsibility and initiative, should be discovered by constitutional and democratic means.

But marxism, the extreme doctrine of socialism, as accepted by the Communist party, repudiates altogether the constitutional and democratic method. It regards the democratic state as the instrument through which capitalism wields and keeps its power, and it preaches the doctrine that the only road to the socialist goal is for the proletariat, led by the Communist party, to seize the state and use its power to nationalise at one blow all the means of production, distribution and exchange, and to "liquidate" all capitalists and landlords by force. It preaches this doctrine on the ground that the owners of property, rather than surrender their traditional rights under reform passed by constitutional means, will themselves create a dictatorship in order to suppress by force the proletariat and its leaders, the trades unions and the communists. 'This doctrine of the inevitability of revolutionary violence as the road to communism has produced its antithesis, fascism, or capitalist revolution, and it is the struggle between the two, especially in countries where economic nationalism has caused grave social disorder through unemployment, or where reactionary government has produced explosion, as in Spain, that has been the principal cause of the overthrow of democracy by dictatorship in Europe.

Till recently the communist-fascist struggle had seemed a domestic question. But the Spanish civil war and its immediate repercussions throughout Europe have shown that, like the Protestant-Roman Catholic question three centuries ago, it is becoming a primary issue in the international politics of Europe. Let us try to summarise briefly what that issue is.

CAPITALISM, COMMUNISM AND FASCISM

The Kremlin—to use a convenient phrase which includes the higher direction both of the Communist party in Russia and of the Third International, seems to look at the world partly from a national point of view but partly through eyes dominated by the marxian dialectic. According to the Marx-Lenin doctrine, capitalism itself is in a crisis from which it cannot extricate itself. In its earlier stage capitalism did service to mankind in taking up the discoveries of natural science and making practical use of them for the enlargement of the world's economic and mechanical equipment, though at a terrible price in sweated labour, slumdom, the exploitation of backward races, and the creation of vast inequalities in wealth. By degrees, however, capitalism found that competition involved too frequent loss and the destruction of too much capital, and produced too much labour unrest. Capitalism then began to discover the advantages of monopoly, first through tariff protection and then through rings, cartels and amalgamations. But even a monopoly of the domestic market did not solve its problems. Capitalists first sought overseas markets and fields of investment and then tried to secure monopolies in these areas also by means of preferences, exclusive duties, and government favouritism. But this meant that the old competition between business firms became political competition between States for markets, colonies and spheres of influence, which inevitably led in turn to competitive armaments, alliances and, in the end, war.

During the Victorian era there was no great war because there was relative freedom of trade and migration. But towards the end of the century protectionism increased, most of the world was divided up between the European Powers, and the stage was set for what the marxists call the first imperialist war of 1914-18. The primary outcome of that war was the victory of the democratic imperial Powers over Germany and her allies. But what in the marxist view was still more significant was the appearance of the first communist State in Russia, followed by the reaction elsewhere,

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capitalism in its most combative form, fascism. Fascism, however, offers no solution of the problem of war or unemployment. It only intensifies the preparation for and the risk of war, so that in 1936, after 18 years of intensive work for peace by the believers in the League of Nations, the world, so the marxists believe, is headed for a worse world war than in 1914. That war may be between fascism and communism, but it is even more likely to be between the capitalist Powers themselves, for colonies, markets and monopoly. It is in the midst of this inevitable war that the opportunity for the communist revolution comes—when the proletariat finally realises that the capitalist system has once more plunged it into the unspeakable agonies and destruction of modern war, rebels against it, and, under communist direction, seizes all property and power.

So the policy of the Kremlin to-day is twofold. On the one hand it is, at almost any cost, to keep Russia itself out of war. She wants ten or twenty years' peace to organise her own socialist development. Her one fear is lest Japan and Germany should combine against her, and in order to prevent that catastrophe the Kremlin, while avoiding every risk of war itself, will do everything to keep alive the quarrels and competition between the capitalist empires. On the other hand it is convinced that once general war breaks out it will inevitably produce the conditions in which a proletarian revolution in favour of communism becomes possible. It therefore stimulates education in marxist philosophy and communist strategy in every way it can through the Third International, and it sustains a small but highly trained group of communist revolutionaries in every country of the world, ready to take advantage of the situation when it is really ripe for revolution and to damp down premature efforts to foment it. In the end, according to communist dialectic, communism is bound to prevail, not by the external activities of Russia as Trotsky proposed—though the very existence of Russia is a stimulus and a hope to the oppressed coloured races,

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the unemployed and the dispossessed everywhere in the world—but by the contradictions and war inherent in capitalism itself. As Stalin has repeatedly said, he is interested in world revolution, but Russia will not organise it; for the revolt of the proletariat can happen only when the internal conditions in each country are ready for it.

At the opposite pole from communism stands fascism. The international leader of fascism to-day is national socialist Germany. Hitler's main point of view is quite simple. He regards communism as the implacable enemy of nationhood. It necessarily divides every nation in two irreconcilable halves, the *bourgeoisie* and the proletariat, and sets them at war with one another. Communism, therefore, is not the only enemy of capitalism: it is no less the enemy of the national state. It is a poison that makes social and national harmony impossible—a source of discord that disappears only when either fascism destroys communism or communism itself exterminates the *bourgeoisie* and establishes a dictatorship of the proletariat. Hitler opposes to communism the doctrine of nationality based on homogeneity of race. He has been the apostle of the regeneration of the German people from the defeatism, the divisions and the demoralisation of the post-war era, and of Germany's restoration to the position in the world to which she feels she is entitled, and of which she was deprived by the Treaty of Versailles and a League of Nations dominated by France, following defeat in the world war. The means by which he seeks to defend Germany against communism is internal discipline through a form of National Socialist party dictatorship not unlike that of the Communist party in Russia, while the means by which he seeks to restore her to her rightful position is by uniting all Germans in the Third Reich and making it the strongest single military Power in Europe.

The conflict between communism and fascism is tending to extend. It is an important element in the Far Eastern situation. It is beginning to align certain of the less

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important States of central Europe, many of whom in fact if not in name are fascist dictatorships, with Germany against Russia. It has brought Europe to the edge of grave difficulties over Spain. And it is helping to draw Italy and Germany into the same orbit.

III. THE ARMAMENTS CRISIS

BUT the increasing antagonism between fascism and communism is only one half of the present world complex. The other is the effect of national sovereignty in producing an economic and armaments crisis. The central weakness of the marxist argument is that it entirely under-rates the effect of national sovereignty in producing the troubles that it attributes to capitalism and which are the breeding ground in which communism and fascism take root. National sovereignty long ante-dated modern capitalism. And nowhere does capitalism as such produce war inside the sovereign State. As the unity that Europe possessed through the Roman Empire and later through the Holy Roman Empire and the Papacy broke down, it became divided into a number of sovereign States, each based on some combination of those elements of geography, language, race, history, culture or religion which fuse into the consciousness of a common nationhood. This anarchy has produced two main effects, economic nationalism and the competition in armaments.

The pressure of competition has led the capitalist inevitably to demand that his own State should first protect him from foreign competition by tariffs, and later give him a privileged position in such territories as it can control overseas. Yet interference with the free movement of trade, capital and labour, especially in the almost prohibitive forms which such restrictions have taken in the post-war years, is admittedly incompatible with the proper functioning of the capitalist system. For it prevents the adjustment of supply to demand through the operation of

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the price system. But with increasing intensity in recent decades every nation State has raised obstacles to external trade, migration and investment, until to-day the world consists of a large number of economically nearly watertight compartments. These external restrictions in turn have had the inexorable effect of forcing governments to interfere more and more, internally, in order to relieve unemployment, to protect basic industries, or to prevent social revolution caused or threatened by economic nationalism. They have also led to dictatorship as the one form of government strong enough to take the drastic measures necessary to adapt the capitalist system to the strait-waistcoat in which it has to function. And it is now driving those countries which can command the necessary military strength (especially Japan, Italy and Germany) to demand colonies or privileged areas for exploitation, on the ground that these privileged external markets and, to a less extent, sources of raw material supply are necessary to relieve the pressure of unemployment at home. But the dynamic cause of all these troubles is not capitalism but the anarchy of national sovereignties, which makes it impossible for the capitalist system to function as it could in a world organised as a single State or in which there were no barriers to trade or migration.

It is exactly the same with armaments. In the anarchy of sovereign States every country has, in the last resort, to depend upon its own strength, or on alliances with others, both to maintain its own security and to ensure respect for its rights. That means that every nation is for ever considering whether its rivals may not be in a position, in the event of a quarrel, to strike it a fatal blow, either because of superior armament or through some advantage in allies, strategic position, equipment or morale. When it suspects such an advantage it replies by increasing its own armaments or extending its own alliances. Thus the competition in armaments and alliances is inherent in anarchy, and is now aggravated by the return to dictatorship

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and the mutual suspicions of fascist and communist States. Unless the nations are able to pool their sovereignty in a federation, the world tends to organise itself into two or more alliance systems. That is what happened before the war, and it is happening again to-day. But the root cause of it is neither capitalism—though capitalism may inflame the economic antagonism of sovereign States—nor the inherent depravity of any people, but the anarchy created by national sovereignty. Even if all the world consisted of socialist sovereign States the position would be hardly less difficult. For what chance would there be of seventy sovereign States peacefully agreeing upon what each should produce, or receive from its neighbours, considering the immense dislocation that constant changes in the national production, necessary to meet the needs of other nations, would necessarily involve?

Both Europe and the Far East to-day are becoming increasingly gripped by these two forces—the struggle between communism and fascism and the effect of the anarchy of national sovereignties in dislocating economic life and in producing armaments and war. Of these the difficulties caused by national sovereignty are the more formidable, because it is in the social disorder created by economic nationalism that the struggle between communism and fascism reaches its greatest intensity. The pressure, too, is far greater in Europe than anywhere else, for the reason that in Europe, in an area which if Russia be excluded is not much bigger than half the size of the United States, no less than 25 sovereign States are trying to exist, with tariffs to the skies and armed to the teeth. That is why the pressure, both in the communist-fascist struggle and in the competition in armaments, is there at its maximum. Indeed, it seems clear that the *status quo* in Europe cannot long continue. By some means, by explosion or otherwise, a breach in these compartments will be made.

GERMANY LOOKS EAST AND WEST

IV. GERMANY LOOKS EAST AND WEST

LET us now turn to the consequences, especially for the British Commonwealth and the system of collective security represented by the League, of the competition in armaments in Europe and the Far East. No doubt there is a profound antagonism between communism and fascism and therefore between Russia on the one side and Germany and Japan and possibly Italy on the other. But it is doubtful whether either side would press that antagonism to the point of war because of the risks involved. The more serious danger of war arises from the strains caused by that competition in the armaments of sovereign States which is hourly increasing in intensity, and which, unless it can be relaxed, must end in explosion. Already Japan and Italy have sought to relieve what they believe to be their own shortage of room, of markets and of raw materials by imperialist expansion in Manchuria and Abyssinia at the point of the sword. Germany is now actively putting forward the demand for the return of the colonies. She has now laid the foundations for an adequate rearmament through an expenditure reputed to amount to not less than £1,500,000,000 during the last two or three years—an expenditure which has also enabled her to reduce her unemployment to between 1,000,000 and 1,500,000. There can be no permanent relief to the internal pressures that drive Germany towards huge armament expenditure and a provocative foreign policy except through a revival of her external trade—a problem that involves, not merely the economic aspects of the colonial question, but the whole economic and financial policy of the Third Reich and of the countries with which she trades.

Even more dangerous is the result of the competition in armaments. Nobody knows with accuracy the figures for the armaments of the various nations. But, approximately, Russia has 1,500,000 men under arms and is building

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a front-line air fleet of 5,000 planes. Germany will shortly have between 70 and 90 divisions, without great masses of trained reserves but very mobile and highly mechanised, and a front line air fleet of 2,000 to 4,000 planes. France and Italy have about two-thirds of these figures. Great Britain has a good fleet, is building up to 1,500 to 2,000 front line planes, but has no expeditionary army that could count to-day on the battlefields of Europe. All these forces are steadily being increased. None of the smaller nations has forces, or munition facilities to supply them, comparable with those of the great Powers.

Moreover, as an inevitable result of this increasing competition, every Government in Europe is being driven to consider what its plans would be in the event of war. There is probably no Government in Europe to-day that would deliberately invite the dangers and destruction involved in a general war. But no man can possibly say that there is no risk of war. War might have broken out over Abyssinia. It might have broken out over Spain—indeed it might still. It might be brought about by another incident like the assassination of Franz Ferdinand, which let loose the world war of 1914. But if a general war does break out in Europe, from whatever cause, it will not be fought for this frontier or that. Every general staff will seek to destroy the enemy resistance by the most annihilating attack in the shortest possible space of time and so impose a peace on its own terms.

That is why in the discussions of the European general staffs the issue between fascism and communism is being balanced by another set of considerations. No doubt Herr Hitler, in accordance with his own conviction that there can be no peace in Europe until the menace of Bolshevik Russia is removed, and with the thesis of *Mein Kampf* that Imperial Germany ought never to have quarrelled with England but should have sought a decision in the East rather than the West, would prefer, in the event of a general war, to attack Russia. But some of the German

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general staff, looking at the problem, not from a political standpoint, but purely as a problem in war, are known to urge other considerations. Every general staff seeks a quick decision; for it is clear that another long war would end in a far more fatal breakdown than the last. The German general staff, however, say that a quick decision against Russia, whose frontier is 500 miles from Germany, is difficult to get, and they ask whether they can be assured that, once they are engaged with Russia, Germany will not be attacked in the rear by France or other Powers. To this latter question, at least during the duration of the Franco-Russian treaty of mutual assistance in its present form, the answer must be in the negative. In that event, declare the general staff, Germany has to face once more the possibility of a simultaneous war on two fronts. Must she not, then, revert to the Schlieffen plan—that is, endeavour to gain a decision first in the West, and then deal with Russia and the East at leisure, especially as to-day she has nothing to fear from a Russian attack originating from a point 500 miles away ?

For success in such an enterprise two conditions are necessary. The first is that Germany should have effective allies. The second is that it should be possible to deliver a paralysing blow at England, the principal organiser of the coalition against Germany last time. Can such a blow be delivered ? The unlimited German submarine campaign can probably not be repeated—the counter-measures are too effective. But there is the new weapon of the air. The air force is not a decisive weapon on the battlefield or against the battle fleet. But, in its present state, it can do two things, if it can establish an adequate ascendancy over the enemy. It can attack directly the economic organisation of the enemy country and it can attack the morale of the civilian population. It is, of course, a dangerous weapon to employ, for nothing can prevent retaliation. But what causes anxiety in England to-day is that for some unknown period in the future Germany will have a decisive advantage over her

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neighbours—at least the western democracies of France and Great Britain. The essence of bombing attack does not reside in the number of bombers and attendant fighters that can go into operation on the first day. Its effectiveness depends upon the power to replace wastage, the rate of which is certain to be terribly high. A nation, for instance, that can afford to lose one-third of its machines and pilots every week, and still keep its original front line total in the air, will at the end of two or three weeks establish a complete ascendancy over an enemy that may start with the same number of machines but can only replace one-tenth or one-twentieth of its machines and pilots every week. And it is exactly the same with tanks and the other elements of mechanised warfare. As in the last war, without an adequate flow of munitions, valour is of little account.

There is now no doubt that the new German air force has been founded on a Ford basis of production, while the British and French air forces are still on a Rolls-Royce basis—though both are reorganising on a Ford basis as rapidly as they can. Both Russia and Italy are probably nearer to mass production in aeroplanes and pilots than the two democracies. For some unknown period, say a year or eighteen months from now, Germany might be able, in the event of a general war, to make continuous air attack on London, for instance—the most vulnerable because the most centralised and concentrated capital in the world—or on Paris, or even on both together, an attack against which, after the first few weeks of wastage, there could be neither adequate defence nor retaliation. What effect would such continuous and largely unanswered attack on economic organisation and civilian morale, in addition to the operation of mechanised warfare in the West, have on the capacity of either nation to fight a long war?

That is one element in the position to-day. The other is that the communications of the Commonwealth are more vulnerable than they have been since the eighteenth century. It is an axiom of naval strategy never to divide the

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main fleet unless the larger part is superior to any force that can be brought to bear against it. Whereas in 1914 the navy had only one fleet to consider, the German, (the Pacific being protected by the Anglo-Japanese alliance, and Italy being either neutral or fighting on the allied side), to-day it might have to deal with enemy Powers simultaneously in three places—the North Sea, the Suez Canal and Singapore. Whether this happens or not depends on the general international alignment. But if, in the event of a general war, Great Britain was confronted by simultaneous hostilities in the North Sea, in the Mediterranean and in the Far East, and were without effective naval allies, she would be unable to prevent the cutting of the communications of the Empire; for her fleet cannot be divided into more than two contingents at most.

It is these considerations that explain the unanimity with which all parties in Great Britain are now supporting rearmament. And they are also the final proof of the total inadequacy of the League system of universal and automatic collective security in a world dominated by the military factor. In such a world, economic sanctions, especially by a partial League, are far too slow. Effective League action depends not only upon whether the nations who accept its obligations are prepared and equipped to take the field instantly on the outbreak of hostilities, but also on whether, once battle is joined, they are likely to incur victory or defeat. That will depend not on the mere number but on the military power of the nations who will fight as a League, on their arms and equipment, on their munitions supply, their morale and their strategic position, as against those who will fight on the other side. To-day it is extremely difficult to say whether the League Powers have any coherence as a military combination. And League coherence is of little value unless it means ability to put armies and air forces into the field jointly at a moment's notice and to keep them adequately supplied with munitions and recruits, in the event of war. Certainly many of the smaller members of the

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League are beginning to dissociate themselves from any automatic obligation under Articles 10 and 16 of the Covenant, or are returning to a policy of neutrality, which they consider their best hope of survival in the event of a general war. And four of the most powerful nations, the United States, Japan, Germany and (to all intents and purposes) Italy, are outside the League, and the last three are actively hostile to its principles. The League to-day mainly consists of two great democracies, France and the British Commonwealth, and one communist Power, Russia, whose power or will to intervene militarily in Europe is doubtful. In such circumstances we should suspend all obligation to or reliance on the security system of the League until it is known, on military advice, exactly what force it can command and with what speed it can be mobilised, as against its potential opponents.

The British Commonwealth, therefore, is faced to-day with very grave perplexities. It is liable in certain eventualities to a serious attack at its heart, and to have its communications severed both in the Mediterranean and in the Far East. Its future clearly depends upon its armaments, the number of its friends either inside the League of Nations or outside it who are also ready to fight, upon its own willingness and power to stand united in the event of attack, and upon its ability, through the domestic policy of its member nations, to keep the active co-operation of all sections of its own population in the event of war.

V. A PROBLEM FOR THE COMMONWEALTH

THE ROUND TABLE has felt bound to put these facts baldly before its readers. There has been, in recent months, a dangerous conspiracy of silence as to the true position, despite the speed of rearmament. THE ROUND TABLE is convinced that the nations of the Commonwealth will come to wise decisions, if they know the facts, but only if they are told the facts.

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But having thus put them forward, it wants to make it plain that it does not take an alarmist view of the situation. The world is still governed by people who had experience of the last war and who know the destruction and suffering that war implies for victor and vanquished alike. The chances of success for such an aerial blow at London and Paris, even granted an immense preponderance in the power to replace wastage, are extremely problematical. The difficulty of engineering the kind of combination that would involve a simultaneous thrust at the three points in the vital communications of the British Commonwealth would certainly be very great, particularly inasmuch as success implies that the British Commonwealth has to fight without allies. The real danger does not arise from deliberate aggression, but from the European and Asiatic anarchy itself, from the necessities under which general staffs find themselves when once they are plunged in war. However anxious every great Government may be to avoid war, however anxious Germany may be for good relations with Great Britain, however reluctant Signor Mussolini may be to precipitate a decision, an accident or a fool or a knave may produce a war crisis that no Government can control. If that happens, though no one deliberately presses the button to start a general war, every general staff will be forced to take that action which, from the military point of view, seems most likely to lead to rapid victory over the enemy. That is the real danger of war to-day. The British Commonwealth must face the fact that in the event of war it might find itself confronted by acts which to-day seem improbable or remote, and it must take whatever steps it can to avert catastrophe.

The answer to these perplexities, however, does not rest with Great Britain alone*. It depends very largely on the view that the Dominions and India also take about them. It is essential that the realities should be faced at the Imperial Conference which is to assemble in London next May.

* A British view of great force and persuasiveness is to be found in *The Faith of an Englishman*, by Sir Edward Grigg.

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VI. EIGHT POINTS OF POLICY

THOUGH THE ROUND TABLE does not attempt to put forward, as yet, any final policy, if only because no policy can be settled without better knowledge of the facts about armaments, about the attitude of the Dominions and about the obligations that other countries, especially members of the League of Nations, are prepared to assume, it thinks it useful to put forward one or two considerations that may contribute to an eventual decision.

The first is that the British Commonwealth should assume only such obligations as it is within its strength to fulfil. Vague commitments contribute both to war and to defeat. What those obligations should be will depend, in the present age of power politics, mainly upon the strength of the Commonwealth nations and their willingness and capacity to act promptly together. The first step is to calculate what that strength is and where and how it can be applied.

The second consideration is that the British Commonwealth should refuse entirely to embroil itself in the quarrel between communism and fascism. "Free institutions are its life-blood," and it is of the very essence of free institutions that the issue between socialism and capitalism, like every other issue, can be satisfactorily solved only by democratic and constitutional process. To drift into taking sides in the new conflict of religion is to risk dividing both the nation and the Commonwealth itself.

The third consideration is that while over a large field of foreign affairs our policy must inevitably be left flexible, it conduces to peace to make quite clear to the whole world any matters about which we are prepared to go to war. The United States has contributed to world peace by making it clear that she is willing to go to war in defence of the Monroe doctrine, and she is now equipped to defend it. The British Commonwealth should equally make it clear that it is willing and prepared to defend its own area against

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attack from whatever quarter it may come. The Commonwealth, indeed, is more and more coming to resemble the Monroe system. The Dominions are, in effect, already as free from control by Great Britain as are the South American republics from control by the United States, and self-government is rapidly growing in every other part. In both systems mutual defence is tending to become more and more a joint affair and not the sole responsibility of the United States or Great Britain alone.

Fourthly, friendly relations with the United States should remain a cardinal article of the external policy of the Commonwealth.

Fifthly, the nations of the British Commonwealth should actively promote a general abatement in present day restrictions on international trade, and the restoration of the "open door" in colonial territories. Increased international trade is the best means of enabling all nations, great and small, to obtain in the cheapest market those supplies of foodstuffs and raw materials which they are unable to produce within their own boundaries. It is an infinitely easier as well as more effective remedy for the evils that spring from the division of the world into sovereign States than territorial exchange, colonial or otherwise.

Sixthly, there is the vast question of Great Britain's relations to Europe and the Far East. British public opinion is now moving steadily towards non-commitment in the internecine struggles of the 26 States of Europe or in the politics of the Far East, if that is possible—at any rate at the outset of a new conflict. Great Britain has already made it clear that she is in no way committed in the politics of eastern Europe, where she will retain a free hand. But so long as France remains a democracy and so long as the route through the Mediterranean is a matter of vital importance to the Empire it would seem that the Locarno obligations for common co-operation against unprovoked aggression should remain, if only because they are security against the domination of Europe by any single Power.

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There must, however, be one condition for the confirmation of the Locarno guarantees, and that is the ending of the Franco-Russian treaty of mutual assistance in its present form. It is inconsistent with the Covenant because either side may determine whether the *casus foederis* has arisen without reference to the League of Nations. The objection to the treaty is twofold. In the first place an alliance of this kind makes it practically inevitable that any local war immediately develops into a general European war. Indeed it creates the conditions in which a general war becomes more probable because it divides Europe into two armed camps, which may eventually come to include all Europe and the Far East, and forces the general staffs of all the nearer European Powers to make their plans on the assumption that if war comes it will be a war on all fronts like the war of 1914. It therefore makes it possible for any Government which, for any reason, wants war, or for a fool or an accident, to precipitate not a local conflict but a general European war.

Secondly, from the military point of view it does not seem to be of any real value. Its main effect must be to compel Germany and her friends, in the event of war, to strike at the West. This is so because there are 500 miles of other nations' territory between the frontiers of Russia and Germany and because the organisation of the Russian railways is such that it is impossible to-day for a Russian army of any considerable size to be deployed for use beyond her own frontier. Add to this the fact that the Russian army has always been weak in offensive power, and the natural desire of any marxist State to allow the capitalist States to fight among themselves as the necessary prelude to world revolution, and it would appear that the main result of the treaty must be to ensure that any war, even though it starts in eastern Europe, must, like the war of 1914, be fought out first in the West, and in its early stages without effective assistance from Russia.

In our view, therefore, the British Government should

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make it absolutely clear to the Government of France at the earliest possible moment that until the automatic obligation to go to war is removed from the Franco-Russian treaty it cannot re-affirm the Locarno obligations, because it is determined not to be dragged into a European war on any eastern European issue, but that if France obtains a free hand it will gladly reaffirm them in a mutual form.

Finally, what of the League? The view has already been expressed that in the armed world that now confronts us the automatic obligations of Articles 10 and 16 are useless to prevent aggression, while they may involve members in war because of the very uncertainty they create. In our view military obligations, where they are necessary, must be absolutely precise in terms both of available armaments and of the occasions when they will come into action. Such regional obligations ought to be entered into by members of the League where they think it necessary, on their own responsibility, and not as part of their duty as members of the League. That membership should carry with it, so long as the members retain their full sovereignty, no automatic obligation of any kind to use either economic or military sanctions, but only the obligation to co-operate for the general purposes of revising out-of-date treaties, of preventing aggression and of promoting the settlement of international disputes by pacific means, or by any methods that the members of the League may freely accept, in the light of the circumstances of each situation as it arises.

It may seem to some that this limitation of the purposes for which the British Commonwealth stands is a departure from the high idealism that has animated so many of its citizens in the past. We do not think so. If it had been possible to bring lasting peace to the world it would have been an object well worth great sacrifices to attain. But that goal is clearly out of reach. There is no way of making certain of world peace in a world of sovereign States. The road to world peace lies only along the road of pooling national sovereignty—a process still out of reach. But the

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preservation of free institutions, of the rule of law, of self-government, of the democratic process, of peace over one-third of the globe is no unworthy aim. It is certainly more noble than that of living for one's own nation alone, or than those forms of pacifism which are camouflage for dislike of self-sacrifice or which would take weapons from the policeman's hands when he is called upon to deal with the gangster. It is, too, if we stand together, an attainable ideal. Moreover, if we can assure the survival of the free and democratic world for three or four years, it is possible that the tide will turn once more, that the dictatorships will begin to lose their present authority, and that the democratic vision of 1918 will once more begin to become practicable in new and better ways.

THE ARMY IN IMPERIAL DEFENCE

I. A NEED FOR LEADERSHIP

IT came as rather a shock to many people in Great Britain to learn that the autumn army manœuvres had to be cancelled when the decision was taken to send a division of troops (12,000 men) to quell disorder in Palestine. Still more disconcerting was the news that after six weeks' recruiting campaign only 286 eligible applicants had come forward to join the new special Supplementary Reserve of infantry, which is open to unmarried men between the ages of 17 and 25 willing to do six months' training in the first year and 14 days in each of the five following years. The initial paper establishment of this force is 17,000. The first of these incidents brought home to everyone the tiny size of our regular army by comparison with the vast forces of continental nations. The second seemed, on the face of it, to indicate the more disturbing conclusion that our defence policy had not the national will behind it.

Recent political developments do not suggest any widespread public apathy towards imperial defence, but on the contrary the growing popular acceptance of the need for rapid rearmament. Nor have the qualities that brought the nation successfully through the war suddenly vanished. No grave moral or physical rot has set in among the British people. There is, however, a good deal of justifiable disillusionment about international affairs in general, and a good deal of justifiable confusion about national defence policy in particular, which combine to enervate public opinion. The disillusionment is due in part to the disappointment of the fond hopes of a better world, a world

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safe for democracy and fit for heroes to live in, that were widely entertained during the early post-war years; in part to the collapse from below of the structure of ideas on which British foreign policy, as officially stated and generally understood, has been reared since the foundation of the League.

Year in and year out, a steady stream of propaganda for the League of Nations idea has permeated British thought. Honestly conceived and in a large measure sound and reasonable, it has concerned itself with two main themes, disarmament and collective security. The general effect of the propaganda on those two lines has been to foster a belief that the promise of collective action against every aggressor was in itself an assurance of peace. The suggestion that the application of sanctions meant a serious risk of war has been scouted by most of the propagandists and their willing audiences. Indeed there was a logical dilemma: how could collective security be for its adherents at once a warranty against war and a liability to be drawn into war? In practical terms, did the peaceability of the British people mean that they would or would not go to war against the breaker of the peace? Out of that dilemma arose the Hoare-Laval episode and the humiliation of the sanctions policy. There is some reason for believing that the Government misjudged the feeling of the British people in the Abyssinian affair; certainly it was fatal ever to embark on a policy of coercion with reservations which meant that it could not, in the last resort, be made effective. Wherever the blame may be laid, the fact remains that the bottom has fallen out of the British public's ideas on collective security. The theory that collective enforcement of peace is possible without a serious risk of world war is no longer tenable; hence the people of Great Britain, hating war as they do, are left disillusioned and leaderless. While they accept and even applaud a policy of rearmament, which is at least a solid raft in a sea of confusion, they are sceptical about the

A NEED FOR LEADERSHIP

policies that the arms are intended to support, and their sense of national need and personal duty is correspondingly weakened.

Added to the lack of leadership in foreign policy has been a lack of leadership in defence policy. Before 1914 the British people as a whole were unquestioningly confident that the defensive strength of the Empire rested upon the navy; the only other recognised strategic need of any permanent importance was the security of India. Now, that assurance has gone. Air power has revolutionised the strategic problem. The civilian population of Great Britain feel that the country's primary defensive need to-day is protection against air bombardment, or (if there can be no real protection) at least ample deterrent power of counter-attack by air. Doubts arise whether the ability of the navy to command the seas has not been frustrated by the possibility of air assault on ships and bases. The dangers from the air may well have been exaggerated, but they are fixing themselves ever more firmly on the ordinary man's imagination. The military revival of Germany has brought them very near home. It is odd to recall that a few years ago Germany could without argument be omitted from "the list of nations who possess a measurable capacity for war against us".* Public opinion notoriously lags behind political and strategic facts; but in this regard it has caught up far enough to create a widespread sense of doubt and danger.

Still another vexed question confuses counsel about our national defence. In the war of 1914-18, Great Britain raised and placed in the field a land army—largely a citizen army—of two-and-a-half million men, most of whom fought on the Western Front. The well-rooted idea that her main contribution to European wars would always be naval power and money subsidies was forsaken. The conception of land warfare as a series of open skirmishes was buried

* Chapter on "Possible Wars" in Stephen King-Hall's *Imperial Defence* (1926), p. 69.

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under the mud of the trenches. Moreover, in the final phases of the Western fighting, one of the decisive tactical factors was the British-invented tank*; an innovation that seemed in the minds of some prophets to presage an era of highly mechanised land warfare, in which cavalry would disappear, while infantry, artillery and engineers would be more and more closely fused into a single armoured and mechanised force.

Thus amid the hub-bub of questions about the effect of air power upon imperial defence (was there any effective defence against air attack on civilian centres? had the battleship become obsolete? how should civil aviation be stimulated?) there emerged another series of questions: what was the future rôle of the army in imperial defence, and what changes, therefore, should be made in its equipment and organisation? The two problems of air power and the future of the army were linked together in a number of obvious ways; experts claimed, for instance, that air attack would render very difficult the concentration and transport of any great body of troops through a "bottle-neck," such as the passage of the English Channel. It was also recognised that both in peace-time and in war-time there were limits—in public finance, in man-power, in industrial capacity—to the nation's defensive effort, and that the over-riding problem was always to use limited resources to the best advantage.

II. WHAT IS THE ARMY FOR?

IN the present condition of controversy on these matters, we may do well to examine the actual character and organisation of the army, which presumably reflect the views of those in authority concerning its purpose. Clearly the

* In view of the controversy on this question, it may be well to cite the opinion of a disinterested student of strategy, Professor J. Holland Rose, who wrote that tanks, "though not fulfilling all the high hopes once placed in them, certainly proved to be the most successful military invention of the war period." *The Indecisiveness of Modern War*, p. 42.

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British army, unlike its conscript continental fellows, is neither an instrument of national discipline nor the first line of national defence. We may learn something more positive from the system of army organisation which was introduced not long after the Crimean war and has persisted ever since. Under the so-called Cardwell system, each unit on service abroad (in India, the colonies, Egypt) has a counterpart in a unit at home, which furnishes it with drafts from time to time and eventually changes places with it. The home units are grouped to form an expeditionary force *in posse*. Thus in normal times at least half the regular army is either actually abroad or trooping or is a reserve earmarked for oversea service.* The remainder, with the exception of a few specialised branches, may perhaps be regarded as a secondary reserve for overscas.

We are precluded from making the opposite assumption—that the overseas battalions are a reserve for possible service nearer home—by the practice with regard to the British army in India (to be distinguished, of course, from the Indian army consisting of native troops commanded, largely, by British officers). India not only pays for the maintenance of all the forces serving in her territory, but also contributes a proportionate share of the “overhead cost” of maintaining the British army, and part of the cost of transporting the troops by sea; against which she receives a grant of £1,500,000 per annum from the Imperial Exchequer for defence purposes. Unless these arrangements are grossly unfair to the Indian people, they prove that India is not to be regarded as a training ground or reserve base for troops eventually required elsewhere, but that the army in India is intended for the external defence and internal security of that country itself. The new Government of India Act, we may note, lays down the overriding rule that “no burden shall be imposed on the

* Before the despatch of the Palestine Expeditionary Force, there were 45 British battalions in India, 20 in other oversea garrisons, and 71 at home, including 10 battalions of Foot Guards.

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revenues of the Federation or the Provinces except for the purposes of India or some part of India.” *

In brief, the first purpose of the British regular army to-day, as revealed in its actual structure and organisation, is the defence and policing of oversea parts of the Empire. Obviously a secondary purpose is garrisoning danger-points at home and reinforcing the police in times of emergency like the general strike. Has the army any other main permanent rôle, and if so is readiness for that rôle compatible with the continuance of the Cardwell system? Those are the questions that are agitating military thinkers to-day.

Field Service Regulations, the soldier's *vade mecum*, is vague on the question of the purpose of the army. It is merely platitudinous to say that the aim is, “in co-operation with the Royal Navy and the Royal Air Force, to break down the resistance of the enemy's armed forces, in furtherance of the approved plan of campaign”, and to do this with the least expenditure of time, men, material and money. The passage in question continues :

In face of military danger the British Empire is confronted with problems peculiarly its own. Unlike a continental Power, it consists mainly of a number of self-governing communities widely separated and of varying resources. In defence of its vital interests it may be called upon to place a force in the field under conditions varying from a small expedition against an uncivilised enemy to a world-wide war.†

In brief, in the official view the army must be all things for all occasions; it must be ready to “further an approved plan of campaign” that may include mass trench warfare, or may be no more than a frontier skirmish. The White Paper of last March on rearmament declared that :

* Para. 150 (1).

† 1930 Edition, p. 1. The paragraph has been amended (perhaps significantly) of late years. In an earlier edition it began : “In the face of the greatest military danger which can arise, the requirements of the British Imperial Army do not differ materially from those of more centralised Powers.”

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The Army has three main functions to perform; it has to maintain garrisons overseas in various parts of the Empire, to provide the military share in Home Defence, including anti-aircraft defence, coast defence and internal security, and, lastly, in time of emergency or war to provide a properly equipped force ready to proceed overseas *wherever it may be wanted*.*

The italics are ours.

Six months ago, an article in *THE ROUND TABLE* included the following (with a warning about its controversial character) among the outstanding tasks of imperial defence:

Ability to make an effective contribution in the critical opening days of a continental European war, into which we found ourselves drawn by honour or vital interest; and, if deadlock were reached in those opening phases, ability to mobilise quickly our resources of men, money and munitions so as to give our participation its maximum weight.

Whatever opinions we may hold about Great Britain's wider interests and obligations, this object of our defence policy must continue to loom large so long as the geographical and political facts that led us to intervene in 1914, and after the war to commit ourselves under the abortive Treaty of Guarantee and then under Locarno, still hold good.

How may the object best be fulfilled? There are some who think that our contribution in the circumstances envisaged will revert to its traditional shape—money, munitions and sea power—coupled now with a decisive weight of air power†. This is clearly a tenable view, but it is not the official view. It was definitely rejected by the Minister for the Co-ordination of Defence in his speech in the debate on the Address on November 10. The general run of military thinking at present seems to be that although the air battles must be fought first, while the slower arms are mobilising and moving, they are likely to produce a stalemate which can be determined only by victory or defeat on

* Cmd. 5107, p. 9.

† See, for instance, two articles in the *Times*, October 30 and November 2, 1939, by its military correspondent.

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land. It will be at this juncture, so it is claimed, that the smaller and less easily concentrated British land forces may be a decisive contribution in a continental war; decisive not only on account of their actual strength but also because they would give a powerful moral assurance to our allies. Their rôle, in such a war, may therefore be taken as twofold: to add a fraction of weight—disproportionate to numbers because of the superiority of professional soldiers over conscripts—to allied armies at a critical moment, and to serve as a nucleus for the development of a large-scale citizen army, as in the late war.

We maintain (writes General Sir Edmund Ironside) a small force of highly-trained men, which operates with the Navy and the Air Force, and behind which the great man-power of the Empire can be prepared for action. . . .

I consider that our land forces will not leave their various points of concentration in the Empire, for transportation to the main theatre of action, until a reasonable air supremacy—temporary perhaps—has been secured.*

The system of reserves and territorials certainly suggests that expansibility in war-time is one of the principal objectives of our land defence policy. With the exception of a few long-service men (mostly warrant officers), the British regular soldier takes service for seven years with the colours and five years with the reserve. There is in addition a supplementary reserve of partly trained men, consisting at present mostly of skilled tradesmen but to include in the future an expanded infantry reserve. Moreover, the territorial army is openly designed as the basis of a citizen army, and would no doubt be the principal means of training recruits for active service in war-time. During the late war, about 50,000 officers and 1,000,000 other ranks passed through the territorial army. The numbers of the British army were, at the beginning of this year: regular army, 135,744; army in India, 55,241; army reserve, 111,615; supplementary reserve, 19,611; territorials,

* In *The Study of War*, edited by Sir George Aston, pp. 123 and 136.

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130,125. The territorial army is nearly 30 per cent. below established strength.*

We may thus assume that the British army is intended, reasonably or unreasonably, to provide a prompt expeditionary force for continental land warfare, and to serve as a training cadre for a much larger force for the same purpose. It is common ground that such warfare in the future will demand a considerable degree of mechanisation—by which is meant not only tanks of various types but also caterpillar gun carriages, light artillery, machine-guns and anti-tank guns, and all kinds of mechanical transport. Military opinion, it is true, is divided over the degree and character of the mechanisation required. For the tank enthusiast, infantry almost ceases to exist, save as the man-power for anti-tank defensive positions. Earl Haig, on the other hand, wrote of tanks and aeroplanes :

'Their rôle is that of assisting the infantry-man, which they have done in the most admirable manner. They cannot replace him. Only by the rifle and bayonet of the infantryman can the decisive victory be won.†

General Monash, one of the most universally respected of the war commanders, expressed this more moderate opinion :

'The true rôle of the infantry is . . . to advance under the maximum possible array of mechanical resources, in the form of guns, machine-guns, tanks, mortars, and aeroplanes . . . to hold and defend the territory gained; and to gather, in the form of prisoners, guns and stores, the fruits of victory.‡

There is no need to thrash out this controversy here. On any acceptable view, continental land warfare is certain to be much more highly mechanised than during our last experience of it. The prime military lesson of the war of 1914-18 was the futility of trench warfare. The pursuit of mobility and of the quick decision is bound to stimulate

* The comparable figures for authorised establishments were : regular army, 144,383; army in India, 57,524; army reserve, 121,200; supplementary reserve, 25,298; territorials, 184,265.

† Final War Despatch.

‡ *The Australian Victories in France in 1918*, p. 96.

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the mechanisation of armies. The one force that above all cannot afford to be left behind in this process is the small, highly-trained British army; for it can find no compensation in numbers for any relative lack of guns, tanks or aeroplanes.

While an army for continental warfare must be highly mechanised, that is not necessarily true of an army in India, Egypt or colonial stations. (The lessons of the Italian campaign in Abyssinia have still to be fully studied by the military experts, but contemporary reports did not suggest that mechanisation of force on the ground was a decisive factor). It is not merely a question of different terrain or different weapons to counter, but also, most probably, one of a totally different objective of the fighting—not to compel the submission of the Government of a highly organised enemy State, but to quell factional disorder, or to keep turbulent tribesmen beyond an unsettled frontier, or essentially to defend rather than to attack (as in the garrisoning of island strongholds). Different conditions and different objectives dictate different kinds of arms and armour. An army trained and equipped for continental warfare in Europe is ill adapted for controlling the North-West Frontier, stemming communal riots, or garrisoning Cairo, Ismailia, Cyprus or Malta. An army trained and equipped for service in India is ill adapted for European mechanised warfare. This conclusion is obviously an indictment of the Cardwell system, which assimilates the Indian and other oversea units of the army with the home units—the potential expeditionary force.

It is remarkable how widespread is the criticism of the Cardwell system among military thinkers. The tank enthusiast naturally condemns it most vigorously.

My firm belief is (writes Major-General J. F. C. Fuller) that until this system is destroyed the Home Army will remain in a chronic state of inefficiency.*

But here, to reinforce him, is a quotation from one of his most notable antagonists.

* *The Army in My Time*, p. 203.

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The defects of this system are obvious to all soldiers. The only thing to be said in its favour is that it works fairly well. On the other hand, it is wasteful and illogical in time of peace.*

Apart from the question of mechanisation and training, specific complaints against the Cardwell system include the following : that the terms of colour and reserve service which it implies deprive the regular army of any adequate reserve ; and that (especially when recruiting is below par) it keeps the large majority of seasoned soldiers abroad, leaving scarcely more than a mixture of half-trained men and reservists at home to form a scratch expeditionary force in an emergency.

The remedy proposed by some of the critics is the creation of a separate army for India (either long-service, or seven years with the colours as at present), the application of an attenuated Cardwell system to the remaining overseas units and those sections of the home forces which could be properly regarded as garrisons and *gendarmérie*, and the formation of the remaining battalions, numbering about fifty, into " a mechanised striking force ". Others demand a reduced term of service, and much more frequent movements of units between home and India or colonial stations. Almost all the proposed solutions involve a certain measure of increased expense, and most of them imply a reconsideration of the financial arrangements between the Indian and United Kingdom Governments regarding the cost of the army in India. It is possible that the growth of Indian self-government under the new constitution, accompanied by a movement for progressive Indianisation of military personnel, will force on a solution of the problem as far as the army in India is concerned. As for the defence of the colonies, France has solved her like

* *The Mechanisation of War*, by V. W. Germain (" A Rifleman "), p. 238. See also Ironside, *op. cit.*, p. 132. " As mechanisation goes on, as air warfare becomes more severe, the British Government will find itself forced to maintain special units at home, which are not ' feeders ' for the main foreign garrison, that in India. . . . They will have to be maintained altogether outside the Cardwell system."

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problem by large-scale recruiting of North African and other coloured troops; but the raising of colonial native troops, except for purely local defence and police purposes, is contrary both to the principles and to the vital interests of British imperial government. There is no such short cut to the solution of the army problem.

III. NATIONAL SERVICE

IT is not the purpose of this article either to endorse or to reject any particular plans for amending or superseding the Cardwell system. But it is clear enough that function and organisation do not exactly tally in the army of to-day; that this is due in part to confusion in everybody's mind as to the actual purpose of the army; and that to clear away that confusion (in which process a change in army organisation would be an important factor) would help to remove the apathy and doubt that at present characterise the average man's attitude towards the army. It is worthy of note that while Sir Samuel Hoare spoke gravely to the recent Conservative party conference about the difficulty of recruiting for the army, he was able to report that "men and officers of excellent standard are flocking into the air force". Yet the "perverted pacifism and partisan obstruction" on which he blamed the recruiting slackness can hardly have affected the one service and not the other. In part, the difference is a question of the numbers required—about 10,000 a year for the air force, compared with 37,000 wanted this year for the regular army alone, if it were to be brought up to strength, in addition to 86,000 wanted for the territorials. But at the same time there is undoubtedly a sharp contrast between the recruiting appeal of the air force and that of the army, a contrast of such a kind that the air force would probably be able regularly to fill its ranks with comparative ease even if it had four times its present establishment.

The points of difference may be classed as technical and general. The technical aspects include higher pay in the

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air force, better conditions, less service abroad, the opportunity of learning a trade, and better chances of getting a job on transference to the reserve, by reason both of the more continuous contact with civilian life and of the training every air force man has in skilled employment adaptable to civilian purposes. It is one of the blots on the army system that in his first year after leaving the colours the ex-soldier is liable to a far higher percentage of unemployment than the average of civilians, even though the latter include many thousands of the old or unemployable. The long period of service in India, too, is a serious deterrent. It is exceedingly important that the attractiveness of the army should be improved in these technical aspects, which range from the question of the Cardwell system to that of compulsory stoppages of pay for hair-cuts.

But that is only one side, and the less important side, of the picture. The other is the status of the army and the appeal it has for the public mind. The purpose and utility of the air force are obvious; its connection with national defence in the narrower sense is plain to a citizenry that appreciates with steadily growing conviction the dangers from the air. There is no such appeal about the army. Its peace-time duties lie for the most part far from home, and have little hold on the popular imagination. And so long as its war-time purpose remains in its present inchoate form the man-in-the-street will always think of the army against the background of Flanders mud. Whether he conceives of it as a professional institution or as the kind of army that manned the trenches in 1918, he is unlikely to feel a personal patriotic duty to join the army, the territorials or supplementary reserve. Either he feels that it is "somebody else's job", or else that he would be condemning himself, willy-nilly, to becoming but an integer in a war of numbers and of human sacrifice. So long as the uncertainty as to the purpose and function of the army in imperial defence is allowed to continue in the public mind, so long will this reluctance to join the army oppose all recruiting efforts.

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The character of the next war is a matter of controversy, and will so remain until it actually happens; it is generally true to say that no one has ever correctly foreseen the nature of future wars. But whatever revolutions may occur in military strategy and tactics, there is no hint yet that the following judgment of a distinguished French expert is unsound.

Realities lead us to suppose that a future war would, at the outset, take the same form as that of 1914-18, that of a war of nations in arms, turning to account the whole of their resources, both human and material. The problem for each State, therefore, consists in transforming, more or less rapidly, according to the special requirements of its national defence, its war potential—men, money, equipment, raw material, etc.—into real and effective armaments.*

In other words, the next war, if it comes, will be above all a war of peoples, in which every citizen of the state, man, woman or child, will have a part to play. Yet scarcely ever before have the citizens of this country been individually less prepared for war, or less ready to shoulder their burden of training in peace-time. It is not a question of militarism; for that depends on the purpose of the preparedness and the spirit animating it, not on the numbers of the population who share in it. Nor is it a question of Left or Right in politics; M. Blum's Popular Front Government is no less determined than its predecessors to maintain, indeed to strengthen, the basis of universal service on which the French defensive system is founded.

A conscript army is obviously unsuited to our national needs, as it is contrary to our national traditions. It is clearly impossible, for instance, to rely on conscription to provide an army for service in India and the colonies; what cries of "press gang" and "transportation" would we not hear? But as every man will have a part to play if we become involved in war, so every man should be trained for that part in peace-time. Such training need not

* General E. Réquin, in *What Would be the Character of a New War*, an enquiry organised by the Inter-Parliamentary Union, p. 1.

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involve, in a vast number of cases, military service in the ordinary sense; for our defensive strength, alone or as an ally, is bound to turn largely on our industrial capacity, and a skilled mechanic is likely to be every bit as valuable in war-time as an "old soldier". Indeed, if air warfare bears out our fears, the control and disciplining of civil populations will be a supreme defensive need. As Sir Edward Grigg says in his vigorous and invigorating book, *The Faith of an Englishman*,

We shall never be adequately prepared to deal with air bombardment in our great cities until some system be found by which the local manhood can be called into disciplined formations under orders, for the purpose of carrying out the necessary protective measures and ensuring the essential public utility services. Some such organisation is indispensable to security; but I do not see how it can be established on an adequate basis or on principles of democratic equality unless the obligation is rendered universal and a sufficient contingent is annually trained in every city or other area.*

Sir Edward Grigg claims with much force that the principle of compulsory service for national defence would go far to change for the better the public attitude towards the regular army itself.

It is vital, if this country is to have a chance of withstanding a challenge from the great military Powers whose shadow falls across the path of peace and freedom, that it should be able to change swiftly from a nation organised for peace to a nation organised for war. Otherwise, we shall be defeated before we realise that war has begun. And that means assigning every man his task and seeing that he is fit to carry it out—fit, not only in technical training, but also in physique and health and general education. It is a deplorable and striking fact that no less than 31,000—or 47 per cent.—of the men offering themselves for recruitment last year were rejected as failing to reach the required physical standard; according to the Adjutant-General of the Forces in a recent statement, if the physical fitness of

* p. 299.

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the applicants could be raised "there would be no recruiting problem". Great Britain is perhaps the richest country, certainly one of the most exposed and vulnerable countries of the world. In the competition in armaments she is rapidly catching up with other great Powers, not all of whom are content with the world apportioned as it is; but in commanding the service of her citizens for the defence of their land and their ideals she lags far behind. The imminent decline of her population makes the problem of national service doubly urgent.

WORLD EXCHANGES : A NEW PHASE

I. EXIT THE GOLD BLOC.

ALTHOUGH devaluation of the three surviving gold currencies came as no surprise to the world at large, the moment chosen for it was generally unexpected. It was believed early last summer that M. Blum himself had come to accept the step as inevitable, especially after the success of the French workers' campaign for higher wages, shorter hours and fully paid holidays. But M. Blum's Cabinet was divided upon the issue of devaluation and his Finance Minister strongly opposed it. M. Blum himself, moreover, was authentically credited with taking a purely political view of the question. He and his supporters had been elected to restore the fortunes of the French worker, not to reduce the value of his franc. If anything, they were committed by their election pledges to preserve it. His predecessors had sedulously drilled French public opinion into fear and abhorrence of any reduction in its gold value. The leading advocate of devaluation, M. Paul Reynaud, despite his brilliant philippics, had gained no political following.

In these circumstances it was widely assumed that no change would occur until late autumn, or at any rate until after the Radical party congress summoned for the second half of October. Events in France were, however, drifting towards a serious climax; something dangerously akin to political demoralisation was becoming apparent, and the position of the Treasury was once more becoming critical. By comparison, the outflow of gold from the Bank of France, due to the expatriation of French capital,

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was probably a matter of only secondary importance, though the Finance Minister made direct reference to it when presenting his Devaluation Bill to the Chamber.

Whatever may have given the final impetus, it is certain that M. Blum resolved early in September to grasp the nettle. Contact with Washington had shown that there would be no serious objection from that quarter, though some adjustments in the comparatively recent Franco-American commercial agreement might have to be considered. The British Government, if it had at any time been disposed to raise opposition, could no longer view with indifference a progressive deterioration in the internal affairs of France, whose difficulties were detracting from her influence in continental affairs.

The decisive meeting of the French Cabinet was held on the afternoon of Friday, September 25. A little earlier it had transpired that the Finance Minister had abandoned his opposition to devaluation. In the exchange markets the forward quotation for the French franc had fallen once again to a discount indicative of panic. On the other hand, M. Blum was still expected to leave for Geneva on the Saturday, so that no crucial developments seemed imminent. When the Ministers met they found awaiting them a scheme for devaluation of the franc, supported by a joint statement on currency policy, couched in general terms already agreed between the American, British and French Governments. This was issued later the same night. Simultaneously an embargo was placed on gold exports and French financial markets were closed for several days. The Government's secret had been well kept until the end, but the franc was off gold at last.

The object pursued by the French Government in securing the three-Power declaration appears to have been two-fold. Previous French Governments had repeatedly stated that adjustment could only be entertained in conjunction with a general stabilisation of currencies—by which they meant, in effect, stabilisation of the pound and

EXIT THE GOLD BLOC

the dollar. To Frenchmen the example of a pound unanchored to gold and yet tolerably stable in purchasing power still remained wholly unconvincing. Stabilisation in the French sense, however, could not be secured; and France's difficulties were becoming more pressing. Nothing remained, therefore, but to adopt a compromise with French public opinion on the one hand and with the British and American Treasuries on the other. Thus the primary object of the tripartite declaration was to reconcile French public opinion to a step that Governments in other countries had been prepared to take without foreign support.

There was, however, another side to M. Blum's co-operation with Great Britain and the United States. Europe had been treated for some time to a series of rather unpleasant political week-end surprises proceeding from behind the locked doors of authoritarian Cabinets. Dictators seemed to have found a device that assured them the power of political initiative in international affairs. Very adroitly and perhaps no less deliberately, M. Blum for once turned the tables. For the moment he had recaptured the initiative. Whatever the outcome, the joint declaration of currency policy by the United States, Great Britain and France, combined with devaluation of the French franc, remains an act of great political significance. And if it lacks the sting generally imparted to the week-end pronouncements of more absolute rulers, it loses nothing on that account.

The political emphasis thus lent to his action by M. Blum—acutely aware of the lengths to which the social and financial anxieties of his country were being exploited in certain quarters—explains the omission of Holland and Switzerland from the agreement. Had they been included the step would have been rated an important economic measure, but it would have lacked the political emphasis that the French Government evidently desired to inject into it.

WORLD EXCHANGES: A NEW PHASE

The Dutch and Swiss Governments were thus informed only after the decisive Cabinet meeting in Paris—within an hour or two of publication of the agreement. Dr. Tripp, Governor of the Netherlands Bank, as it happened, spent the previous day in the French capital and was personally aware of what was proceeding. Apparently, however, he remained unmoved, if not unconcerned, and, like his Swiss colleague, devoted the following Saturday morning to the preparation of vigorous measures of support for his exchange. Both these eminent bankers, moreover, amused a world now watching with friendly scepticism, by issuing what proved to be a last, if familiar, reaffirmation of their determination to remain on gold.

Their Governments, however, thought otherwise; and it was Switzerland that first made the plunge. The decision to follow France was taken by the Swiss Cabinet during the midday hours and communicated to the astonished Dutch Premier who, like Dr. Tripp, had until that moment refused to yield. This was the last straw. *Et tu, Brute?* Dr. Colijn made search for his unwitting Bank Governor, who had long since left the Bank on that fine Saturday afternoon; found him; and the last strand had snapped in the century-old fabric of the gold standard.

II. THE ARREST OF DEFLATION

DEVALUATION of the gold bloc currencies has been received with a tempered optimism that the future course of events should tend to justify. It has created a more hopeful outlook for world trade by removing the last serious element of deflationary pressure surviving out of the prolonged depression. It has, above all, dispelled a feeling of uncertainty—a sense of something impending—which has been overhanging money and exchange markets ever since the fall of the dollar, and has led to exchange panics, heavy movements of capital across frontiers, and gold hoarding, with harmful consequences for industry and trade.

THE ARREST OF DEFLATION

Now that the anticipated landslide has occurred without inflicting serious injury in any quarter, tension has given way to a feeling of relief and of renewed confidence in the future.

The immediate outlook for world trade and prosperity has undoubtedly been improved by the events of September. Devaluation of the three currencies (and of those that have since followed them) has fortunately none of the ominous significance that attached to the depreciation of the pound and the dollar. The pound was dragged from its moorings primarily by the collapse of world prices and the consequent financial crisis. The dollar was cut adrift in order to extricate the United States from the throes of a deflation of unprecedented severity. Each in turn, by its fall, gave a further downward impetus to the general price structure, so that substantial recovery within the depreciating countries themselves became possible only through the operation of additional factors such as the erection of tariffs, the restriction of production and the creation of abundant credit. Conditions have changed so radically in the meantime that no repetition of those experiences need be feared. Without, or rather despite, the gold bloc a vigorous upward trend in prices and in world trade has developed. It has already gained considerable impetus and is unlikely to be reversed by the depreciation of the gold currencies. If anything, market movements since the end of September indicate that the rise in commodity prices has acquired additional momentum—more perhaps than is desirable—instead of losing it.

Although in past experience currency depreciation has usually originated with inflation and resulted in deflation, the sequence is likely to be reversed in the case of the gold bloc countries. In France, it is true, a rather alarming inflation of public expenditure was responsible, more than any other single factor, for the critical developments that precipitated relinquishment of the gold parity. But the French investor and money market, their distrust

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aroused, stubbornly withheld their resources from the Government, and indeed exported them to other centres. The volume of active credit has contracted rather than expanded during the past few years, so that it would be idle to speak of French currency inflation. As regards Holland and Switzerland it was notoriously deflation carried to the point where further progress was barred by embittered political resistance that was at the root of industrial distress. Now that the constricting influence of over-valuation has been removed, the way should be open for an expansion in both domestic and foreign trade. Progress may be more gradual than would otherwise be the case owing to the circumstance that Germany takes first place—by a substantial margin—in both the markets for exports and the sources of imports of Holland and Switzerland; and second place in those of France. And, though devaluation of the Swiss franc and the florin has further reduced the weight of German foreign indebtedness, Germany's trading position has almost certainly been rendered more difficult by the enhanced competitive power of Dutch and Swiss industries in those overseas markets from which Germany derives her raw material supplies. This factor should not, however, prevent a decisive reversal of the downward trend in the gold bloc countries.

There is certainly abundant scope for improvement. When the break came, unemployment in all three countries stood at virtually the highest levels recorded throughout the depression; and foreign trade was at its lowest. Stimulated by expenditure on rearmament and an eleventh-hour expansion of credit, French imports had in recent months shown some tendency to rise; but exports had fallen in value to the lowest point experienced since the war, in fact to little more than one-quarter of their 1928 size. Swiss and Dutch foreign trade had receded on both sides of the account to less than one-half of 1930 levels. A more realistic impression of the devastating effect of unrelieved depression upon industry may be gained from a

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single example approaching veritable economic tragedy. Under the double impact of hostile tariffs and an over-valued franc the foreign sales of the celebrated Swiss chocolate industry dwindled from forty-five million francs in 1930 to one million francs in 1935.

Moreover, even the reduced export trade of the gold bloc countries was maintained only by dint of price reductions so drastic that they frequently eliminated any margin of profit. In many cases they were rendered possible by subsidies. A loss of domestic trade, turnover and purchasing power resulted which, in turn reacted adversely upon both public and private finance. New taxes and special levies failed to maintain revenue—now dependent on an illusory attempt to tax more and more out of less and less—at its previous level; and public indebtedness rose steadily. Disquieting fissures appeared in the Swiss banking structure; and it had become a commonplace in Switzerland to regard all mortgages other than first charges as practically valueless.

These destructive processes should now be reversed. After the persistent price-decline of the last five years and the economies in costs enforced by it, a moderate rise in domestic prices will act as a powerful stimulus to home trade and industry. Dishoarding of gold and the disbursement of exchange profits may give additional impetus. Production and the national income may be expected to rise and unemployment to fall. Order and equilibrium in public finances should, before long, be within reach of attainment. Briefly, the gold bloc countries, having aligned their price-level by way of their exchange parities to the price-levels of the rest of the world, should move into the main current of world recovery instead of remaining dismally in a backwater of isolation and depression.

If our hopes and good will are not to get the better of us, however, some qualification must be added with regard to France. There the world depression was felt last, and

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for some time the country believed in its immunity from the general misfortune. When at length the presence of the infection was diagnosed, medical treatment was not immediately applied. The malady was allowed to develop and complications have set in. Discarding metaphor, economic depression has culminated in social unrest. Political antagonisms have become acute and even unruly. Capital, previously awaiting only adjustment of the franc but now at variance with the labour which it should galvanise into productive activity, shuns the country. Cheap money and abundant credit remain for the present a hope; and fiscal difficulties persist. Here, therefore, recovery may be retarded until economic disputes between the parties can be settled in an atmosphere freed from political animosities. No striking resumption of industrial and commercial activity can be expected until a workable relation between costs and prices has been regained. The success of the stay-in strikes has put the cart before the horse. If the vehicle is to proceed the horse must return to its place between the shafts—unless the cart is in future to be mechanically propelled by the power of the State. Nevertheless, devaluation was indispensable to French recovery and may be relied upon to promote it even now more effectively than anything else could have done.

III. DEVALUATION AND WORLD TRADE

THE foreign trade of France, Holland and Switzerland, including that of the colonies and dependencies of the two first-named, accounts for roughly 16 per cent. of world trade and is equal to about half the trade of the sterling group of countries or three times that of China and Japan taken together. It is therefore of no little importance.

In recent years, however, there has been some tendency to assess the influence of these countries on world trade in accordance with the conspicuous rôle played by their

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currencies in the foreign exchange market. In a world that had broken away from gold they naturally gained exceptional prominence as the only surviving adherents of the former gold standard. The great strength of their metallic reserves sustained their parities through one crisis after another. With exchange restrictions fast becoming the rule rather than the exception, they permitted dealings of unlimited magnitude to continue freely in their currencies, in the form of both cash and forward transactions. It is not surprising, therefore, to find that the gold currencies for some years came to engage a greater share of the attention of markets than the normal trading relations covered by them would have warranted. Dealings were, moreover, abnormally magnified by migrations of capital and by the incidence of speculative operations envisaging—often prematurely—the developments of last September.

By comparison the part played by the gold bloc countries in international trade has become almost inconspicuous. World recovery has not waited for them. An upward trend in international trade has been clearly discernible since 1934 and has steadily gained in strength, although the gold bloc, moving in the opposite direction, must have acted as a drag upon it. Measured in terms of pre-devaluation gold dollars, world trade as represented by seventy-five countries rose, after five years of continuous recession, from a monthly average value of \$928·7 million in 1934 to an average of \$946 million in 1935. Simultaneously, the share of the three members of the gold bloc declined by \$13 million per month. During the current year the improvement over the whole world has made more rapid headway, trade having averaged roughly \$1,000 million a month—a gain of 5 per cent. over last year. Still the gold countries have continued to lose ground.

Now that their currencies have been adjusted (to what, in practice, already constituted a revised world-valuation of gold in relation to money and goods) the export trade of France, Holland and Switzerland should begin to

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reassert itself in international markets. In the circumstances described it stands to gain the full competitive advantage of currency depreciation, reduced only by additions to costs arising out of dearer raw material imports, and perhaps out of higher labour charges due to rises in the cost of living, where this is heavily weighted with imported foodstuffs. These contrary factors can, however, be kept within moderate limits by appropriate reduction or removal of the tariff and quota restrictions that have hitherto aimed at excluding cheap imports. Steps in this direction have already been undertaken by some of the Governments concerned.

After the drastic contraction of imports by the gold bloc countries during the years of depression, there is every prospect that as they succeed in increasing their foreign sales they will increase their foreign purchases. It is of course only by the double process that any *net* addition to the volume of world trade can be created. Otherwise what is gained by the new entrants will be lost to others, competition growing keener and more embittered than before, until it becomes destructive in intensity.

There seems little danger, however, of this contingency, as may be shown by a brief reference to trade developments of the last three years in the countries "on" and "off" gold. By general admission the gold currencies have been overvalued, the pound and the dollar relatively undervalued. It would therefore have been reasonable to expect a rising adverse balance of trade in the gold bloc and a greater expansion of exports than of imports in the sterling and dollar groups. But this is not what has happened. So effectively have tariffs, quotas and prohibitions been employed in the gold standard countries that imports have actually fallen much more steeply than exports, and adverse trade balances have been greatly reduced *despite* overvaluation; whereas in the United Kingdom and the United States the creation of abundant credit and the restoration of a profit-margin to domestic industry have,

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despite undervaluation and tariffs, resulted in a more rapid expansion of imports than of exports. Now that the disparity of price levels between the gold countries and the rest of the world has been removed, domestic trade in the former, aided, as it almost certainly will be, by an expansion of credit, should make rapid strides. And, as a matter of experience, an improvement in the domestic affairs of one country tends to communicate itself through a hundred channels to every other.

Taking a broad view, it is safe to assert that any addition to the economic area within which a relative degree of equilibrium in costs and prices has been established will benefit all the parties within that area. Elimination of some of the fiscal trade barriers intersecting it would provide a further gain, but in this respect it is as yet too early to attach definite hopes to the developments of the last few weeks. While it would be churlish not to welcome the first steps taken by the statesmen of the gold-bloc countries in the direction of lowering duties and discarding quotas, we must accept these advances—whose moral and political value are unquestioned—in their proper context. If it is correct to assume that world prices will not be adversely affected by recent devaluations but will continue their upward trend, the gold-bloc countries when reducing trade barriers have so far merely substituted one form of tariff for another. No *net* concession is involved, and the object aimed at is the prevention of a rise in domestic prices and in the cost of living, which, if it were large enough, would render nugatory the advantages secured by the abandonment of gold parities. Some experience of the new situation will have to be gained before decisive steps are taken.

There is nothing more destructive of international trade than the abrupt imposition of tariffs or other forms of obstruction to the exchange of goods and services between countries; but once the tariffs have existed for a given time their abrupt removal is only one degree

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less harmful. Pious resolutions for their abolition *brevi manu*, passed at international gatherings, merely disregard political and economic realities. Unless trade concessions are effected at every step on a soberly calculated basis of give and take, a loss of currency reserves and a rise in unemployment are the most probable outcome. Most governments can afford neither.

If the prospect of a noteworthy reduction of trade barriers arising out of the re-alignment of the gold currencies remains rather uncertain, some consolation may be found in another, less tangible direction. An end has been put to a major conflict on the issue of monetary policy and practice. The struggle between two groups of very unequal resources (other than gold), though waged without destructive intent, has caused a sharp cleavage in the world's economic generalship at a juncture when unity of effort and purpose has been more necessary than ever. Now at last the first approach to a solution has been found as a result of concessions on both sides.

By deeds rather than words the gold countries have acknowledged the *de facto* revaluation of monetary gold throughout the world which had in practice already been established under the leadership of the pound and the dollar. By implication they have admitted the futility of accepting an automatic and immutable standard and store of value which—whatever the errors of human judgment committed in the use of it—performed the unwelcome feat of quadrupling its purchasing power within the brief space of a dozen years. The countries off gold, on the other hand, have frankly committed themselves to the vital principle that stability of exchanges is essential to world welfare; and have thereby made the first tentative approach towards restoring that stability. This step is the more important as the principle has at times stood in some danger of being consigned to the museum, if not the scrap-heap, to be replaced by the comforting and treacherous doctrine that a free and self-adjusting exchange would ensure—to the

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sterling group at any rate—prosperity at home and immunity from foreign distress.

Even so, the possibility that exchange depreciation in its more orderly form of devaluation may be used, and perhaps used with increasing frequency, as a weapon of self-justified defence or even offence has not been completely removed. In this aspect the step taken by the gold-bloc countries was not an unmixed blessing, though the tripartite agreement on currency policy limits the danger-zone to States of lesser economic importance, many of which may moreover be relied upon to adhere to its principles. The three gold-bloc countries were not effectively "forced off" gold by lack of exchange resources but by their economic difficulties. And, while the attachment of the Greek, Latvian, and Turkish currencies to sterling, which immediately followed, calls for no special comment, a second devaluation by Czecho-Slovakia within a comparatively short space of time contains unwelcome implications. It has since been rumoured that a similar step is impending in Austria. Having emancipated itself only a few months ago from financial supervision by the League, its Government is budgeting for a deficit resulting, in accordance with present fashion, from the necessity for rearmament. Strangest of all, perhaps, was the Italian combination of a 40 per cent. devaluation with the creation of a still cheaper tourist-lira, unblushingly devised to undercut Italy's neighbours in the competition for foreign tourist income.

In conclusion, brief reference must be made to certain new features in the international currency situation, though it is as yet too early to pass judgment upon them. The devaluation by the gold bloc has brought with it a more complete break with the past than was expected by many who had long anticipated the devaluation itself. The former gold standard has, for the present, been completely discarded. Procedure has been changed as well as parity. The United States alone maintains an

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official price for gold; France and Switzerland have assigned upper and lower limits, widely apart, to the gold content of their new currency unit; Holland and Great Britain none at all. It looks at first like an international conspiracy for exchange instability. Exchange equalisation funds have, however, been set up in all five centres; the gold reserves at their disposal are very great; and given agreement as to the mutually desired exchange ratios they should be able to co-operate smoothly and effectively. But if such agreement is absent, or if it breaks down under a strain, chaos may result. Political considerations and influences hitherto excluded as much as possible from direct contact with currency matters may occasionally play a part; for the exchange equalisation funds have been entrusted to Treasuries rather than to central banks. Their operations will remain a closely guarded secret, and their gold (or exchange) resources will not find a place in bank returns. It seems to follow that the volume of credit will not, or at any rate need not, be affected by international factors. It will simply be a matter for the exercise of judgment by those in charge. None of these countries will be allowed to see its own pass-book. That may make it happier—for a time; but it will hardly make matters easier if the financial brake has to be applied because an overdraft is in sight.

It is, however, too early to pass judgment on a new and very complex currency mechanism which is admittedly experimental and in course of development. It is of such importance that it deserves, and should receive, special study. Meantime, it has of course also its good sides. Without experience of the new parities it would have been absurd to fix rigid exchange ratios. If stability is genuinely pursued through loyal co-operation, the fluctuations likely to ensue will have but minor significance. The central banks, through their daily working intercourse, will be driven almost inevitably to establish agreement concerning rates of exchange. If properly used, the gold

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reserves collectively available are so great that it should be possible in due course to exercise a regulated and beneficial control over the credit expansion and contraction of almost the whole world. If thereby some of the worst effects of the ever rolling trade-cycle can be mitigated, even if not removed from our experience, the gain will be immeasurable.

THE TWO SPAINS

By a Spanish Contributor

IT is scarcely more than a truism to state that the Spanish civil war is the outcome of the historical evolution of Spain meeting a contemporary environment—a cross-section by the present of the development of the nation in time. It follows that, if we are to understand what is happening, we shall have to turn our attention successively to Spain's inherent life and to the influence of modern political tendencies on Spain.

I. THE LAND AND ITS PEOPLE

MUCH harm is done to clear thinking by preconceived ideas and set labels, such as the time-honoured fallacy which circulates under the high-sounding name of "Latin races". "Latin" is a language. "Race", if it means anything at all, is a biological term. The idea of classifying races according to the language they speak is fantastic. We can nail it to the counter by pointing out that it leads to making "brothers", or at least "cousins", the Yorkshire farmer and the Jamaican negro. Let us then come to Spain on the understanding that little or nothing of what we know of the French or of the Italians will be of use to us.

We are going to find a land of great variety, in which the landscape, living nature, and the ways of men vary more widely than within any other nation of like size; and yet a country of great unity, for both land and people impress the mind with a quality, a manner and an essence, quite different from anything outside. This peculiar

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character of the land and its people suggests elemental and primal things, as if, on coming to Spain, the stress shifted from apparenial, transitory and conventional forms to real, permanent and inherent essence.

Such a national character cannot be expected to foster political talent. Politics is necessarily the art of collective possibilities. It is bound to rest on convention; to meet transitory problems with transitory solutions; to feign to be deceived by appearances. The very nature of politics is therefore out of tune with the inherent tendencies of the Spanish character. And this fact is the real, permanent and inherent reason why Spain has not yet found, and probably never will find, her political equilibrium.

Nietzsche was once asked what he thought of the Spaniards. "They have sought to attain too much", he answered. Admirable though it is, the answer falls short of truth. They seek to attain the whole—the whole of what is going. That is one of the many senses that may be read into Don Quixote's myth of Dulcinea. The object of a Spaniard's thoughts can be nothing short of the Absolute Best. Hence the integral and absolute nature of political attitudes, the true cause of the endemic civil war which afflicts the country—for, with or without military manifestations, civil war is a permanent feature of Spanish collective life.

II. THE ENDEMIC CIVIL WAR

SO much for the fight. But what about the combatants? This civil war, one may say, does not differ fundamentally from those that were fought in Spain during the nineteenth century, except in one respect to be brought out later. In order to substantiate this statement, it is necessary to place the whole theme of Spanish civil wars in its historical setting. The Austrian dynasty, building the nation on the solid foundation provided for them by Ferdinand and Isabel, achieved an admirable synthesis of royal authority, based on divine right, and the democratic

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tendencies inherent in the Spanish nation. The solvent which melted together these two different political essences was the religious spirit of the Spanish people in those days. The king was absolute but not despotic. He was respected but he was bound to be just; for the basis of this respect was his sacred character as a minister of God on Earth.

With the Bourbon dynasty, two historical changes converge to destroy the spirit of the Spanish "theodemocracy": on the one hand the growing identification of royal authority with the person of the king; on the other, the inner impoverishment of the religious spirit of the country, which, at the top, fades into intellectual scepticism or hardens into ultramontane intransigence; while in the lower reaches it turns into blind bigotry and superstition. As, in the course of the eighteenth century, the kings deteriorate, they drag down the crown—once sacred—to the level of their own indignity, and when Napoleon wrests it from the hands of Charles IV and Ferdinand VII the Spanish nation is left with nothing but the ruins of the political institutions of bygone days.

It is true that the seeds of new political institutions were scattered on her soil by the armies of Napoleon. The *National Episodes* of Galdós show with admirable vigour how the *Afrancesados* influence the national mass and make it breathe a foreign air which had vibrated to the tune of the *Marseillaise*. But, though the past was dead, *that* present could not strike root into the old and crusty soil of Spain; and the real meaning of the nineteenth century has been, for Spain, this struggle between the French Revolution and the Spanish genius, inherently rebellious to it.

The pity of it was that the Spanish genius—being as incapable of conscious self-expression as it is obdurate and self-assertive in its mere "being there"—found no better manifestation for its opposition to French ideas than the old absolutist tradition artificially and stubbornly revived from the Austrian days. The Carlist wars—leaving

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aside the personal question as to who was to reign, king's daughter or king's brother, and even the legal question between the Salic law and the Spanish law—were, in actual fact, the expression of the reluctance of at least half the nation to accept the principles and emotions of the French Revolution. As, in its essence, this is also the meaning of the present civil war, it may be useful to inquire into the causes of this formidable resistance on the part of Spain to let in Jean Jacques Rousseau and all his successors.

It is usual at this point to drag in the Roman Catholic faith and to point out that Rousseau had a Calvinistic background. But this explanation explains nothing at all; for it leaves unexplained why the Spaniards remained within the Catholic fold and did not turn Calvinist like the Genevese. The real reason for both facts—resistance to the French Revolution and persistence of the Catholic faith—is to be found in the inherent pessimism of the Spaniard, particularly of the Castilian. In short, liberalism did not conquer Spain because it is not pessimistic enough.

Nevertheless, liberalism made rapid progress in all the zones of Spanish life in which optimism was possible—among intellectuals, the liberal professions and the people of the east coast. In actual fact, this progress is not as brilliant as it looks, for it is only certain in about half of the middle classes, the other half remaining faithful to “good old Spanish traditions”; while the people of the south and east, led by the integral and “absolute” tendency of the national character, have gone “the whole hog” in liberalism and adopted the tenets of anarchism or “libertarian communism”.

What has become, meanwhile, of the masses of pessimistic Spain? They have swiftly evolved from passivity to marxism, making but the shortest possible stay in liberalism. And, mark the point, the pace of their conversion to marxism has suddenly quickened to an astonishing extent on their realising that communism is an anti-liberal doctrine.

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Now look at the picture. Right : Old Spain. Pessimism. Authority. The Army. The *Guardia Civil*. The Church. Leaders. Thinkers. Proprietors. Capitalists. But also the middle classes (half of them) and many peasants and workers who do not like attacks on property.

Left : Marxism. Pessimism. Authority. Dictatorship "of the Proletariat", but still dictatorship. Discipline. The Marxist Dogma and the Marxist Church. The Marxist Pope (Stalin). Leaders. Thinkers. The workers of the pessimistic part of Spain (centre and north) who have left the Right.

Centre : first, Liberalism. Optimism. Intellectuals. Half of the middle classes. No mass. Second, Anarcho-syndicalism. Hyper-optimism. The masses of the levantine and southern Spain. No politics.

How could such a nation organise its political life under a parliamentary constitution? The answer is that it did not. But the explanation of the fact that, despite the formidable difficulties of the task, some form of *modus vivendi* was possible under the Restoration and under the Republic must be found in anarcho-syndicalism. For, owing to their bitter antagonism towards the socialists, the anarcho-syndicalists were always willing to wink at their own contempt for the ballot box and to vote for their liberal *bourgeois* friends so as to do the socialists out of a number of seats in Parliament; and it is a fact that, with foolish short-sightedness, all Spanish politicians under the monarchy, with the exception of Primo de Rivera, favoured anarcho-syndicalism at the expense of the socialist party, a far more statesmanlike and orderly political organisation.

III. THE WEAKNESS OF LIBERALISM

IT is now evident that the weak spot in Spanish public life is liberalism. And it follows that, even under a better world-climate, the liberal-democratic Republic was bound to find itself in difficulties. The constitution was

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discussed in a mood of violent reaction against the long dictatorship of Primo de Rivera and was in any case born old, under an excessive influence of generous but belated intellectuals, eager at last to put on parchment, at sixty, their political dreams of twenty. Anti-clericalism was one of their dreams. Alas, no one in Spain has worked more efficiently for anti-clericalism than the clergy. The nation with the finest Catholic culture in the world, the nation that produced the polyglot Bible of Alcalá, the motets of Salinas and Victoria, the mystic poems of St. John of the Cross, the *Autos sacramentales* of Calderón de la Barca, can give her people no higher Catholic beauty than paltry "popular" songs in church choirs, imitations of Place St. Sulpice sculpture on her altars, and the masquerades for tourists that Seville includes in her tourism programmes. "The anarchists have destroyed many churches"—said a learned Catalan canon, a refugee on board an Italian ship—"but the clergy had first destroyed the Church."

Our anti-clericals, however, would not give up their long-cherished dreams. Instead of insisting on raising the moral and intellectual standard of the clergy, they preferred to ignore it—as if the Church and its ministers ceased to exist and to exert a powerful influence over the nation by their ceasing to be known to the state. While nothing really efficient was done to combat that influence, many small vexations came to add to the irritation caused to the Catholic population and to the clergy by the suppression of the chapter for Church and worship in the state budget. A rise in the miserable salary doled out by greedy bishops to village priests would certainly have consolidated the Republic. The sudden dismissal of all those poor priests from the lists of government servants was one of the worst blunders of the new régime.

The traditional half of Spain was deeply hurt. But the intellectual liberals, who were attacking her on all fronts at once, did not realise that the masses which had hoisted them to power, and which they would need when old Spain

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struck back, were not to remain with them; for, though looking towards different horizons, they are temperamentally nearer to the authoritarian Right than to the liberal Centre. Here is a grain of fact worth tons of doctrine. During the Restoration, the Spanish Left, then mostly composed of *bourgeois* liberals, of course anti-clerical, was loud in its protests against clerical "oppression" which, on Good Friday, prevented all traffic movement but that of doctors' cars. But during the present Republic, every time the Left has been in office, the socialist holiday on May 1 has resulted in a complete paralysis of the life of Spanish towns, all vehicles, even owner-driven cars, being banned from the streets by the trade unions; not in virtue of any law, not in virtue of any tradition such as that of Good Friday, not in virtue of a custom or disposition acquiesced in by the rest of the nation—for, when Governments of the Right were in office, as in 1934 or 1935, the holiday was reduced to its fair limits as a day of rest and pleasure for the working classes—but through the use of threats and, where necessary, of force, and the knowledge on the part of all concerned that the authorities would not protect the citizen who tried to enjoy his liberty.

This is but a straw in the wind, but it could not be more significant. It means that the living sense of liberalism is not the dominant feature in the Spanish issue; for, in a really conscious and constructive sense, it is only to be found in a small minority of rather doctrinaire intellectuals without a following, while, in the masses, it lives only in the form of anarcho-syndicalism. Liberalism must then be dismissed from the picture as a somewhat irrelevant issue.

This is by no means to say that liberalism is permanently to be blotted out of the Spanish political landscape. The strong individualistic tendency of the Spaniard, and that sense of manhood, *hombria*, which is perhaps his chief psychological spring, will always demand political expression. In the end, happen what may, liberalism, in one

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form or another, will be an ingredient—and an important one—in whatever solution is brought to the constitutional crisis of the country. But, in this present struggle, liberalism, represented by unorganised intellectuals, passive middle classes and anarcho-syndicalist workmen, is but a side issue. What remains is a duel between two authoritarian principles—two genuine manifestations of Spanish life and spirit.

IV. FASCISM AND COMMUNISM

BUT it happens that, this time, the Spanish endemic civil war finds in the world outside two political forms that fit it admirably. For these two forms of the Spanish pessimism are, for autochthonous reasons, ready to express themselves in the political forms evolved respectively by fascism and communism. It is worth pointing out that Spain, politically asleep for generations “lost to the world’s debate”, turns up in the very centre of it when the world finds itself confronted with a choice between two brands of authoritarianism. Spain understands that language, even though she will not accept some of the forms that it adopts. Her old civil war takes on a new sense. The old traditional spirit, clinging to obsolete forms of absolutism for lack of newer expressions, sees in the totalitarian state a contemporary re-incarnation of her doctrine of the Austrian days. Spanish fascism is certainly not planning to become a servant of vested interests and a guardian over the well-fed and sleepy landowner-capitalist. It puts the national interest above every other interest and in economic matters might well be described as “hierarchical socialism”. Communism in Spain is also steeped in that totalitarian sense which puts the interests of the whole country above those of any man. It is a well organised party, of clean and enthusiastic people; one of the best organised and most capable in the land.

No longer a struggle for or against the principles of the

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French Revolution, this, the last of the Carlist wars, is in reality fought between two nascent forms of genuine Spanish life—however deep the foreign influences over them may be. However grave and tragic in its material and moral results, it must be considered as a mere episode in the long and searching political evolution of the Spanish nation.

V. THE OUTCOME

NO one is a prophet *about* his own country. It may, nevertheless, be safe to prophesy that, as a consequence, though not an immediate consequence, of this orgy of mutual hatred and destruction, the two sides will come to realise that they have never been less divided than they will be when the civil war is over. The more obdurate, the less intelligent elements of the Right, who represent little more than their bank safes, will presumably be eliminated by the winner—whichever side wins—as dead timber. A living sap will vivify the state. Once the state has gone through the painful, and possibly long, process of reconstructing the main beams of the fabric—a bureaucracy and an internal army—the country will be in a position to evolve institutions more fitting to its genius than those it has discarded and than those which are offered for its imitation by Rome, Berlin and Moscow.

It was inevitable that the States of Europe which incarnate these doctrines should take a powerful interest in a civil war fought between two Spains so closely allied to them. But, while there is close similarity and at times conscious imitation, it is evident that, both on the Right and on the Left, the Spanish and the foreign cases are fundamentally different and cannot be summarily dismissed as identical. To take the communist side first: assuming that the Left win the civil war, the communist party, even allied to the socialists, could not disregard the numerous and powerful syndicalist section of working-class opinion. Spanish communism would therefore evolve in original Spanish

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ways, a necessary compromise between the Moscow master and the strong idiosyncracies of the pupil. It is probable that, the war once over, the influence of Moscow would rapidly dwindle, first as a national reaction, then as a consequence of the disenchantment which the experience of communism would call forth in masses of a messianic turn of mind whose ideals are always safer in Heaven, and finally because Moscow would be naturally considered as a political enemy by all "pure" syndicalists.

If, on the other hand, the fascists won not merely over the Left but over the Right, of which they are the only progressive element, they would be hard put to it to harness under a fascist discipline the most individualistic people on earth. It is significant that the Spanish Phalanx (our fascists and Hitlerians) have chosen as their political name not national-socialism but national-syndicalism. One of the mainsprings of fascism is wholly lacking in Spain: that heady wine of imperialistic nationalism which no leader can turn into an acceptable drink for Spaniards—who know the taste of it to the dregs. It is safe to say that Spanish foreign policy would not change appreciably in essence, even if it changed in manner and in some superficial moves. Foreign policy is determined by fixed laws of geophysics and of geo-economics even for more powerful nations than Spain.

The civil war will have shown the people the value of technique and that of discipline. It will have shown the upper classes—whether they win or lose—that government is impossible without the acquiescence of the people. One problem—the greatest of all—will remain unsolved, perhaps for ever insoluble, a perpetual challenge to the Spanish nation: how to combine the authoritarian sense, which is not merely the present mood but a permanent tendency of the two rival Spains, with that yearning for liberty which makes of all Spaniards, without exception, anarchists at heart.

ELECTION DAY IN AMERICA

I. ROOSEVELT COMES BACK

ON the day these words are written, the United States is ending its quadrennial political orgy. The voters are at the polls. This incredibly protracted campaign is over. The United States is oddly backward about some things, and political machinery is one of them. We still use the election time-table devised in 1824, when the first presidential nominating conventions were held, and the roads were quagmires or rockpiles. There is no earthly reason why we should lash ourselves through a presidential campaign lasting five months—which generally leaves us in a state of emotionally exhausted boredom—and precede it by an equally long series of skirmishes for the party nominations. In these days of nation-wide radio hook-ups, with graphic news-reels showing candidates' faces and postures in theatres at every cross-roads or whistle-stop,* and aeroplanes whisking even political candidates across the skies, there is no possible reason why our presidential campaigns should not be conducted in a month or six weeks. But it will probably be a long time before we are sensible and effect this reform.

Before this article is posted to catch the *Queen Mary*, the results of the election will be coming in. And by the time it reaches London—and print—the American presidential battle will be very stale soda-pop indeed. Most of us are assuming that President Roosevelt will win rather handily. Some Americans profess today to regard this as a national calamity only to be compared with the

* Whistle-stop: A hamlet so small that the trains pause there only by notification of a whistle.

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plagues of Egypt. But the great majority of the voters—as the results will doubtless have indicated—take a more philosophic view. That is likely to be true, after a few days, among most people. As is usual, some impetuous gentlemen have pledged themselves to push a peanut with their noses from New York to San Francisco if the election goes one way or another. Few of them will do so. Others have taken an even more harrowing view, and foresee (for campaigning purposes) their eternal ruination with the return to power of the buoyant Mr. Roosevelt. One of them even went so far as to announce that he would sell out his business and move to Canada, or some other safe spot, if the President were returned.

In the last weeks of the campaigning, forsaking the more moderate tactics with which he had begun, Governor Landon began to predict the most dire consequences if he failed to be elected. He insisted that President Roosevelt had utilized—if not invented—the depression as “a mere excuse” to inflict dictatorial laws and practices upon the American people. He saw the pit opening ahead of the New Deal, with pauperization of the American people, national bankruptcy, and ultimate despotism looming ahead. He gave all his Right-wing supporters the most delicious cold shudders. But there is no evidence that he won support where he needed it: from the mugwumps in the middle of the road. The campaign had deviated sharply from the so-called “Topeka strategy” outlined in the last issue of *THE ROUND TABLE*.^{*} This was partly last-minute panic, and partly the persistent hammering of the Republican party’s Right wing upon the liberally inclined candidate. They persuaded him that “October is the month for bloody noses”, and he set out with flailing fists. If, in the end, his own nose was bloodier than anybody’s, it was plainly because the campaign appeal was addressed to the wrong people. However much he may have acted in response to nearly irresistible pressure,

^{*} No. 104, September 1936, pp. 705-721.

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it is of course true that Governor Landon had only himself to blame for not continuing what started out as a sensible and possibly effective campaign. This indication that the Kansas candidate would yield under pressure, and say and do things he had never before seemed to mean, was a warning sign that in the White House—under far greater pressure—he might be amenable to even more damaging influences.

Governor Landon may have frightened his own loyally supporting Right-wing by the blood-curdling tone of the campaign in its last weeks, but he did not frighten American business. Industrial activity kept to a new high pitch right up to election day. American business began a sharp rise in April, just as politics were bubbling up, and it has not yet stopped its rise. The composite index now stands at 108.7 with the 1929-32 average as 100. The figure is almost precisely where it was in early 1929. Steel is at 73 per cent. of capacity, and is expected to stay above 70 per cent. through the rest of the year. Automobile production is apparently going above last year's record; textiles, shoes, and other such manufactures are eclipsing all previous heights; retailers are clamoring for merchandise. In short, the picture has not been so rosy since 1929, and the old myth that election years damped business is again being disproved.

The importance of this election to people in other countries is in some respects even greater than it is to Americans. The best way of indicating its significance is to explain what would have happened had Governor Landon been elected. His first problem—ordered by the people—would have been to try to liquidate the New Deal. Or, at least, he would have had to start in that direction, whether or not he found himself able ultimately to do away with much of it. In the last weeks of the campaign, he pledged himself to an immense program of change. He promised to alter basically the Reciprocal Trade Agreements Act—presumably abrogating the

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important treaty with Canada, and rendering very difficult if not impossible the negotiation and ratification of an agreement with Great Britain, which is the next objective in the Hull list. He bound himself specifically to repeal as soon as possible the Corporation Surplus Tax Act—and would need a great deal of new revenue from other sources as a result. His whole appeal was one of economy, and he promised to put into effect at once a drastic series of budget cuts. He agreed to turn the administration of relief back to the states. He promised to rebuild the farm-relief program from top to bottom. He declared the instant need of turning back to Congress the many powers granted to President Roosevelt, including the authority to manage the dollar through the stabilization fund.

These are only a few of the troublesome things that would have filled Governor Landon's hands. Obviously, he would have had very little time to look overseas. Foreign policy would have been put into the ice-box, and there it would probably have remained for a good many months to come. Moreover, in so far as Governor Landon made any campaign pledges on foreign policy, they were in the direction of greater insularity. His view toward the League of Nations was non-co-operative and restrictive. His concept of neutrality was identical with that which in 1914-18 led the United States down the road to war—an insistence upon neutral "rights". He had no particular ideas about inter-American policy, nor had his advisers.

The entire Republican preoccupation was to defeat President Roosevelt, and the entire post-election job would have been to try to mop up the New Deal. For a very long time, the activities of the Landon Deal would have been just about as turbulent as the early months of the New Deal itself. Out of much sound and fury, with a hostile Congress, stalemate might well have resulted. The effects of this new flurry of activity upon business would have been problematical. The events might have been

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exhilarating to some leaders of business; we might have had a thrilling boom-ride on the switch-back; or precisely the opposite might have happened. After many months, perhaps a year, things would have shaken down enough for the Landon Administration to begin to think constructively and concretely about foreign affairs. It generally takes at least that long for a new Administration to find its feet anyway, and in the face of the tremendous domestic task confronting Governor Landon it is not at all slurring to say that he would simply have had to ignore international problems to a maximum degree. Of course, the State Department under a new higher command would have continued to function. Immediate duties, such as the Inter-American Conference meeting in Buenos Aires in December, would have been attended to under the shadow of uncertainty. American participation in all world affairs would have been on the most perfunctory basis, although doubtless the new Secretary of State—whose identity could not even be guessed—would have done his best. Ultimately, the Republican leadership—which is not at all devoid of talent in the conduct of foreign affairs—would have begun to develop its own fresh ideas. But it would have taken more time than the world has to spare.

President Roosevelt, returning to power, finds himself in the happy position of a Chief Executive beginning his second term, endorsed by new approval of the people, and without the necessity of ever confronting the voters again, except when a new House and one-third of the Senate are re-elected in 1938. While there are some gaps to fill in the New Deal, some renewals of authority to look after, some new holes likely to be punched by the Supreme Court and filled in by Congress, these tasks have nothing like the magnitude of those on hand in every single preceding January during President Roosevelt's occupancy of the White House. There is no comparison. Business is good; an expansive era has been opened.

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In domestic affairs, President Roosevelt can no longer count on a free hand or a blank cheque. This is because of the peculiar nature of a second term. A President's position in his second term is at once easier and harder than in his first. Easier in that he is not constantly thinking and working toward re-election—one of the greatest flaws in the American constitutional system, which has already produced modest but increasing sentiment for limiting the presidency to a single term of four or six years. This re-electoral motive conditions every act of a president from about the second year of his first term. His energies go into the building of political fences, which in turn restrict his administrative and legislative freedom. The President's political advisers conclude that he ought not to do many things—among them, probably, the very best things he could do—simply because of fear of alienating some group of voters, or the need of courting some other pressure-bloc. The last year or two of a first term, therefore, is certainly the nadir in any American President's career.

Comes the second term, and the President feels released and free. He can exercise an exhilarating new independence. But this independence has its penalty. The majority in Congress, too, are no longer bothered about re-election. They no longer have to cling to the presidential coat-tails. They cease being obedient little boys, and get very naughty indeed. A President returning to power on a landslide may expect a honeymoon of a few weeks or months, but no more. And by mid-term the chances are very good that he will lose control of one house at least of the Congress, which means the threat of deadlock and compromise for succeeding measures. Sometimes, however, a President wishing to show independence may fit his new ideas into those of the insurgent wing of Congress, and then he is in clover.

The President's second term is therefore likely to be occupied with more activity on the administrative side,

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and less on the congressional. That is where President Roosevelt's prospective operations in foreign policy come in. But he must choose a field of activity where he is not likely to be check-mated by Congress, and has the approval of public opinion. It would be impossible, for instance, for President Roosevelt to take the United States into involving political complications on the European continent. His relations with the League of Nations must still be of the most circumspect. If he participated in any conferences on strictly political troubles in Europe, he would have a revolt of popular opinion on his hands.

There is a middle ground in which public opinion allows the President much latitude, there are some fields where popular inhibitions are oddly lacking. The most tempting and profitable field is of course in Latin America. There, the American public does not seem to feel afraid, does not object to commitments, however involving. Moreover, things are moving very fast and very far in Latin American affairs, and out of the Buenos Aires conference may develop ideas, not only for peace organization and neutrality in the western hemisphere, but even for a workable bridge to Geneva, or at least to the democratic nations of the Old World.

II. FROM WASHINGTON TO BUENOS AIRES

ORIGINALLY, the Buenos Aires Conference had two major objectives. The first, developed by the United States, was the formation of an American neutral bloc. The United States proposed to extend to as much as possible of the western hemisphere—with some British Commonwealth nations thrown in for good measure, if possible—the general theories of its own neutrality statutes. These laws attempted to apply trade and financial embargoes against war, though not against aggressors alone. The purpose of broadening such policies to include other nations was to build up the largest possible area in which

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un-warlike trade could continue to flourish after a European war had broken out. As long ago as last February, President Roosevelt looked at the Old World, and found the skies dark. In the face of a war threat, he felt the only course for the United States was to accept the storm and try to build snow-tunnels between its house and those of as many neighbors as possible.

The second major objective of the Buenos Aires meeting, shared most actively by the Latin Americans, was the erection of peace machinery in this hemisphere. On this objective, the nations were split. The countries on the Pacific slope of South America leaned toward the American system. Argentina, and some others, still leaned toward Geneva and the Old World. With its trade ties to Great Britain, its traditional rivalry with the United States, it was natural that Argentina should be distinctly alarmist about this whole movement that had been deposited uninvited on its doorstep at Buenos Aires. But the very fact that President Roosevelt, although he issued the suggestion for the conference, carefully kept it out of Washington and in Argentinian territory was a meaningful diplomatic stroke. It was a notification that the United States wished to respect and emphasize Argentina's eminence in South America, and wished to give due weight in any diplomatic agreement to the pro-European views of the leading Spanish-speaking State.

There are now four magnetic pulls tugging at Latin America. There is Washington, with its predominant influence among the central American States, and its trade associations with the southern continent as well. Washington, too, has greatly improved its position with the ABC powers (Argentina, Brazil, Chile) through the Roosevelt good-neighbor policy, whose practical meaning was shown by the abrogation of the Platt Amendment that had controlled Cuba, and the non-intervention policy that has been rigidly carried out since. Cordell Hull, the American Secretary of State, was friendly and circumspect at the

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Montevideo Conference of 1933, where he established warm personal cooperation with Dr. Saavedra Lamas, the influential Foreign Minister of Argentina. Moreover, as Europe grew more turbulent, as Geneva declined, Washington seemed a more stable anchor.

The second pull on Latin America, and by no means altogether divergent from Washington's influence, is Geneva—behind which generally stands London. But this pull from the League of Nations has been uncertain. Latterly it has not been clear in which direction the League is evolving, nor whether the establishment of a regional peace machine in Latin America might not be precisely the evolutionary outgrowth of Geneva. Nominally, however, the League sticks to its ideal of universality. Dr. Saavedra Lamas was invited—by no coincidence—to become President of this autumn's Assembly of the League of Nations. He was honored in London on his way home. Presumably it is his rôle to build a bridge between Geneva and London on one hand and the New World capitals on the other.

There are less compatible pulls being exerted on Latin America in these days. Italy and Germany—and soon, maybe, Spain with its historic ties—are seeking fertile territories for ideological and geographical expansion. Latin America is one of the most tempting areas left in the world for either sort of expansion. Already there is a close sentimental link between Spanish fascism and Latin America. Uruguay, for example, withdrew its recognition of the Madrid Government, and there is little doubt but that the triumphant Rightist forces would speedily be on the best of terms with Latin America. Germany had many warm pre-war and post-war contacts in South America, and Italy has not a few of them too. Authoritarian government was an old story here; the fascist lure was peculiarly fascinating to the military and to the regularly dominant classes in Latin America.

Finally come the communists, tugging at the proletariat in Latin America. They have much fuel for their flames.

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Agrarian misery, clerical abuses, industrial discontent, are all present in abundant measure. These things—already manifest in Mexico and elsewhere—might, if world conditions worsened, flare up into bitter strife. The communists have much potentially at stake in the Latin American game.

Naturally enough, all these magnetic pulls have produced latent disquiet in Latin America, and increased hopes for success of the Buenos Aires Conference. Recently a new fear appeared, to dominate the situation. For nearly a century, it has been possible—and fashionable—to sneer at the Monroe Doctrine in its original purpose of protecting Latin America against aggressive attack from overseas.

“What nonsense,” people said. “Who is going to attack South America? We are secure . . . just as secure as the United States, behind our oceans and mountains. It is silly to say that we need protection of a doctrine or a big brother. That’s just an imperialist pretext of the United States.”

Things have changed now. For the first time, Latin American politicians can refer to the possibility of a foreign attack on their shores without being scoffed at by their compatriots. A high-ranking Argentinian official recently explained the situation in these words :

“The problem of South American security today develops parallel with the progress of science, especially in the realm of transportation. Unfortunately for us, the moral aspect cannot be considered. It has been proved to us in Europe and Asia that treaties and understandings mean nothing. When a State is ‘hungry’ or invokes its own ‘special interests’ no moral law will stop it from attacking any sphere within the operating compass of its military machine. That is the unfortunate situation for the present and, as realists, we must base future policies on present facts.

“The operating compass of the military machine is expanding rapidly. We have seen what has happened in

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the past 10 years. Who would deny that in another 10 years the Atlantic will be spanned by fast, gigantic flying-boats? It may be earlier; in that case the menace to our shores is correspondingly advancing. Directly or indirectly, this menace must be faced by all American nations, and maybe at the forthcoming peace conference in Buenos Aires."

A similar view is expressed in *La Nacion*, distinctly not an anti-fascist paper, in Buenos Aires: "Distance destroyed, America has only the Monroe Doctrine to fall back upon. The nations without their own arms industries will be at the mercy of those who have them."

With Latin America in anxious mood, with the United States more solicitous of sensibilities than ever before, with the Old World in turmoil and the New World still peaceful, the attractiveness both of a western neutrality bloc and of an American peace system are evident.

The implications of these policies have been carefully thought out by the Roosevelt Administration. It cannot be said that the present State Department is convinced of the thesis that peace is indivisible, but it is no more confident of an ostrich-head viewpoint. Some compromise is ahead. The best observers feel that an adjustment between the pro-League ideas of Dr. Saavedra Lamas, the urge of security in the western world felt by his countrymen, and Washington's desire to extend the area of neutrality, can be worked out. The Roosevelt Administration has always been sympathetic to Geneva, and in earlier days wished to forge new instruments of co-operation therewith. These hopes vanished in Ethiopia. But there is still an awareness of Geneva's problems, and closer co-operation with Great Britain than with any other Power.

Practical evidence of American willingness to co-operate was given in the Anglo-Franco-American currency agreement, which may blossom into a really stabilizing factor. With President Roosevelt in direct control, the State Department acted with great coolness and circumspection

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when bombs were dropped at the U.S. destroyer *Kane*, in Spanish waters during the early stages of the civil war. In the face of what might have become a highly provocative situation, the ablest and most alert diplomacy was followed. In conjunction with British diplomatic and military forces, Americans were evacuated from Spain. While the naval limitation structure has gradually dropped to pieces—with the end coming on December 31 of this year—close contact has been maintained between Washington and London, and nothing has been permitted to irritate relations with Tokyo.

III. BUSINESS AND POLITICS

THOUGH the shadow of the elections hung over the American scene, business has been going ahead in most surprising fashion. Half a dozen major industries are breaking all previous sales and production records, and virtually all important trade indexes are approaching rapidly the 1929 level. The sober *New York Times* insists that "business is launched on an upward surge which is expected to surpass all previous peaks". The full importance of what is happening to business has been somewhat obscured by the elections. Yet the fact is that demand has produced actual shortages in numerous lines, that an exceptional holiday trade has swamped manufacturers, that industrial buyers have to beg producers of raw materials for immediate shipments. Cotton goods, leather, shoes, paper, rayon, and several other lines have broken all previous records, while chain and mail-order houses are producing new sales peaks weekly. Despite the prospective re-election of President Roosevelt (when these statistics were computed) leading authorities can be quoted in numbers to the effect that "business is good, is due to make further gains, and there is nothing in the offing which would cause a set-back".

This state of affairs doubtless had much to do with the

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outcome of the election itself. While business men were predominantly supporting the Landon candidacy, in the hope that it, too, would mean a continued boom, they had nothing really tangible to fear from a New Deal the final months of which were so flourishing.

The disquieting factor was that behind such an appearance of prosperity the grim fact of unemployment continued, still near the American Federation of Labor estimate of 11,000,000 workers. Perhaps as many as 20,000,000 persons are still directly or indirectly dependent on governmental relief. These unemployed are the misfits, largely, who had in previous boom years clung to the fringes of the economic chariot and been carried on by sheer momentum. Now, despite the sharp shortages of skilled labor in many localities, these misfit unemployed cannot find much work to do, and prefer to depend upon the government bounty.

The farmers, too, are enjoying high prices, and even in the drought-hit sectors most of them have something in the way of crops to market, or if not they can obtain loans in expectation of a good year ahead. Wheat planting in areas hard-hit last year now exceeds all earlier planting, with wide acreages of drought-burned corn (maize) now green with the first shoots of winter wheat. This points to a probable surplus next year, and possibly severe trouble for the Administration in its efforts to keep up the price.

Labor storms are still looming, but except in the maritime strikes have not erupted in serious form. Indeed, it is noteworthy that in a period of rising production and bustling business activity more strikes have not broken out. They have been expected for two years now, but have been deferred. The long-pending organization of the steel workers is still up in the air. The CIO (Committee for Industrial Unionization) has hurled most of its forces into the re-election of President Roosevelt. Now it can turn to its real program of industrial unions, with a political program and a possible political party ahead in 1940. The

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assistance of organized labor was of real help to President Roosevelt in the campaign, and trade unions contributed generously to New Deal party funds.

Of great practical political service, too, was the negro vote. Negroes settled in the industrial states of the north—they are practically disfranchised in the south—became this year a political factor for the first time. Hitherto their vote had gone largely to the Republicans, because of gratitude for emancipation and the fact that the south, where the negro still suffers under many social, economic, and political bonds, is solidly Democratic. But President Roosevelt made real inroads into the negro vote, largely because relief money has been liberally disbursed to the colored population. The glamorous appeal of this spectacular President was nowhere more effective.

There has seldom been a more intense political campaign in American history, seldom in recent years one in which such feeling was stirred, and never one in which class lines were so sharply drawn. This last fact, deeply regretted by most American political philosophers, may presage stormy days ahead for the republic; days that will see the emergence of a political labor movement, of a more militant farm movement, the reshuffling of the old political parties with their meaningless labels and shadowy lines of distinction. The class issue was used by both sides in this election, President Roosevelt inveighing against "economic royalists" and "princes of privilege", while the Republicans cried: "Look at Spain and vote like Maine" (which went Republican in September).

Despite the gravely foreboding symptoms of coming class struggle which existed beneath the surface of the election, despite the emotions that were aroused, it is accurate to conclude that the grim economic bitterness and despair of the 1932 election were absent this time. In 1932, this correspondent heard mobs jeer and boo at President Hoover, and it was a blood-curdling sound. In 1936, he heard knots of men jeer and boo at Governor Landon,

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but they were not in earnest. They were ragging him, not raging at him. Relief payments, government spending, business activity, better farm prices, have all poured their unctuous fluid over the irritated working classes. In Wall Street—where President Roosevelt rashly ventured during his campaigning—the bitterness remains, and real jeers at the President floated down that dark, windswept chasm as his car swept along the street. But how long these jeers will persist, in the face of the business statistics, is open to conjecture.

PALESTINE: THE COMMISSION'S TASK

Editorial Note

ON October 12 the Arab strike in Palestine, which had begun on April 9, was brought to an end, after the Arab Higher Committee had accepted an appeal by the rulers of neighbouring Arab States to maintain tranquillity, "relying upon the good intentions of our friend the British Government and its declared desire to realise justice". Plans were forthwith laid for the immediate visit to Palestine of the Royal Commission appointed in July to investigate (once order should have been restored) the cause of the disturbances and the whole working of the Mandate. At the invitation of THE ROUND TABLE, a resident in Palestine who has given special study to the problem of Jewish immigration has written an article on this and other critical aspects of the Commission's task. While the views that he expresses are not necessarily those of THE ROUND TABLE, we believe that they deserve the most careful consideration, along with the facts on which they are based, by His Majesty's Government and by the Royal Commission. The latter's exact terms of reference are :

To ascertain the underlying causes of the disturbances which broke out in Palestine in the middle of April ; to inquire into the manner in which the Mandate for Palestine is being implemented in relation to the obligations of the Mandatory towards the Arabs and the Jews respectively ; and to ascertain whether, upon a proper construction of the terms of the Mandate, either the Arabs or the Jews have any legitimate grievances on account of the way in which the Mandate has been, or is being, implemented ; and,

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if the Commission is satisfied that any such grievances are well-founded, to make representations for their removal and for the prevention of their recurrence.

Within these terms of reference, it is clear that the Royal Commission will not be at liberty to recommend any going back on the Mandate itself, even if that should be desirable. Hence this article likewise has been written on the assumption that the Mandate stands in its entirety, and that any immediate solution must be found within its limits.

I. THE NATIONAL HOME

THE articles of the Palestine Mandate contain no definition of what is meant by a National Home. Article 2 does indeed speak of the "national home as laid down in the preamble"; on referring to the preamble, however, we find no definition, but only a proviso that "nothing should be done which might prejudice the civil and religious rights of existing non-Jewish communities in Palestine, or the rights and political status enjoyed by Jews in any other country". We are therefore led to deduce the nature of the intended National Home from the articles themselves. From these we understand that a Jewish Agency is to be recognised, representative of all those Jews who are willing to assist in the establishment or reconstitution of the national home, in order to advise the Mandatory in social, economic and other matters and to assist in developing the country. Subject to the proviso that "the rights and position of other sections of the population are not prejudiced", Jewish immigration is to be facilitated under suitable conditions, close settlement of Jews is to be encouraged on the land, and an appropriate land system introduced. Hebrew is to be recognised as the third of three official languages. The Mandatory may, under certain conditions, arrange with the Jewish Agency to operate public utility services and to develop the natural resources of the country. A Palestinian nationality is to

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be established, and Jews who take up permanent residence shall be enabled to acquire it. These are the only positive injunctions of the Mandate which give an indication of the nature of the National Home to be established. There is no suggestion that a Jewish majority is essential or desirable; there is no suggestion that Jewish immigration should be limited only by the "economic absorptive capacity" of the country, to the exclusion of other considerations, or that Jewish difficulties abroad should be considered a reason for facilitating a greater immigration into Palestine than would otherwise have been considered desirable.

The proviso that "nothing should be done which might prejudice the rights and political status enjoyed by Jews in any other country" is believed to have been inserted at the suggestion of the late Mr. Montagu, an anti-Zionist Jew, at that time in charge of the India Office, in order that the National Home should not be developed in such a way as to create difficulties for Jews living outside Palestine.

The preamble states that the purpose of the Mandate is to give effect to the provisions of Article 22 of the Covenant of the League of Nations. This implies that the Mandate is a temporary trusteeship, enabling a community which had previously formed part of the Turkish Empire to fit itself for complete national independence.

The present crisis in Palestine has centred on the question of the degree of immigration which is to be facilitated. Before considering figures, it will be useful to form some idea of the area of the country, its natural resources and the existing density of population. Palestine, excluding what is entirely desert, is approximately the same size as Wales; much of it is mountainous, stony and barren. Part of the coastal plain has proved very suitable for the cultivation of the "Jaffa" orange, of which some 6,000,000 boxes are now exported annually. It is thought that there may be a considerable future for the export of salts extracted

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from the waters of the Dead Sea. Apart from this, it does not appear that Palestine possesses any great natural resources, beyond the ability to attract a considerable number of tourists, as a land holy to three religions.

To return to the comparison with Wales : Palestine has a population of 1,300,000; Wales one of 2,200,000. One half of the Welsh population, however, is contained in one county, Glamorganshire, and at least 900,000 persons are dependent on the coal and iron industries based on the natural resources of that county. If we were to deduct this 900,000 from the total, we should find that the density of population would be almost exactly equal to that of Palestine. It is therefore an error to think of the latter as an empty land.

II. JEWISH IMMIGRATION

THE figures of legalised Jewish immigration into Palestine since the war are as follows :

1920	.	.	.	5,514	1928	.	.	.	2,178
1921	.	.	.	9,149	1929	.	.	.	5,249
1922	.	.	.	7,844	1930	.	.	.	4,944
1923	.	.	.	7,421	1931	.	.	.	4,075
1924	.	.	.	12,856	1932	.	.	.	9,553
1925	.	.	.	33,801	1933	.	.	.	30,327
1926	.	.	.	13,081	1934	.	.	.	42,359
1927	.	.	.	2,713	1935	.	.	.	61,854

The immigration of 1935 corresponds, in proportion to the total population, to an immigration into England of 2,000,000 people in one year. Since Mr. Ramsay MacDonald addressed his letter in 1931 to Dr. Weizmann, immigration has been regulated according to the Government's interpretation of the expression "the economic absorptive capacity of the country". This means in practice that immigration is limited ultimately only by the quantity of money which the Zionist Agency or individual Jews are prepared to invest in Palestine. There is no limit at all upon the numbers of immigrants who may enter,

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provided that they possess a certain capital sum. The Zionists maintain that it is against the intention of the Mandate that Zionist money invested in Palestine should employ other than Jewish labour. The Government therefore issues labour schedules to admit a quantity of Jewish labour* corresponding to the sums invested in industry and to the quantity of labour required to build houses and so on for the capitalist immigrants, having first assured itself that there is no very great Jewish unemployment at the moment. At the end of 1935, however, there were over 6,000 officially admitted Jewish unemployed, besides many working half-time; while the Administration professed ignorance of the numbers of Arab unemployed. These were the conditions that immediately preceded the outbreak of 1936.

If the amount of money invested in Palestine by Zionists was determined by normal economic motives, the non-Jewish sections of the population might not have objected to this method of fixing the numbers of immigrants; it is, however, obvious that sentimental, political and other motives play so great a part in this that governmental regard for the "economic absorptive capacity of the country," as thus defined, is a doubtful protection against uneconomic immigration.

Owing to the Zionist policy of employing Jewish labour only, Tel Aviv, with a population of 130,000 Jews, contains practically no Gentile inhabitants. It is indeed alleged that the only non-Jewish labourers or shopkeepers who gain a livelihood in the city are a few Armenians, and that they are able to do so only by pretending to be Jews. The contrast, in this respect, with Casablanca in Morocco, a city of approximately the same size, developed by colonising effort in approximately the same time, is striking. In Casablanca more than half the inhabitants are natives of the country. The policy of excluding non-Jewish labour and

* Both the capitalists and the labourers admitted are entitled to introduce dependants.

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of buying exclusively from Jewish tradesmen has given not only Arabs but also Armenians, Greeks and the other non-Jewish communities in Palestine the conviction that wherever the Zionist gains complete control no non-Jew will be able to live. Arabs are at present employed by Jews in considerable numbers outside Tel Aviv, but this is admittedly because Zionist policy has not yet gained complete control in such districts.

The immigration of the last three years is alleged by the non-Jewish communities to be out of all proportion to the economic resources of the country, as it certainly is to its powers of social assimilation. If the flow of immigrants and capital were to be interrupted, even temporarily, it is maintained that a very serious economic crisis would result, from which all Palestine would suffer severely, while the longer the flow is maintained the more severe will be the crisis when it does come.

The Zionist reply has been expressed tersely in the phrase that "Haifa can be made the Birmingham of the Near East" and Palestine "a little oriental Belgium". By this, it is meant that Palestine can be turned into a highly industrialised country, possessing towns of 750,000 or more inhabitants and a total population of not less than 5,000,000. Palestine would thus become one of the most densely inhabited countries of the world, rivalling Belgium in this respect. When we hear ideas such as these seriously maintained, we can only recall that the Jewish people, throughout the ages, have always been a people of a Messianic hope. Their fervid imagination has again and again led them to expect a miraculous deliverance, and their inability to distinguish the true Messiah from the false has before now involved them in disaster, as at the time of the rebellion of Bar Cochba.

For what are the essential conditions for a great industrial expansion? An abundant supply of cheap labour, a large and friendly market, complete economic control of the producing area, peace at home and an abundant supply

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of raw materials. The lack of some of these advantages may be made up by others, but in Palestine all are lacking. Jewish labour is very much more expensive than that of the neighbouring countries, and is controlled by a powerful trade organisation. There certainly is a possibility of greatly expanding markets in the countries adjoining Palestine; these, however, are cut off from it politically and economically, are hostile to Jewish development and inclined to boycott Jewish goods altogether. They are also anxious to develop industrially themselves, and are in a favourable position to do so. At the present time, for example, the export of manufactured goods from Syria to Palestine is nearly five times as great as that from Palestine to Syria. Peace at home is uncertain; Jewish economy must reckon with a large population at the best indifferent, at the worst actively hostile. The control of economic development in Palestine is not, and cannot be, entirely in Jewish hands. There are practically no raw materials. The only sphere in which there seems a chance of substantial development is in the shipping industry, which has recently made a humble beginning, and for which Syria, if not Palestine, was famous in antiquity. There is also the growing importance of Haifa as a port of transit; but here, too, Arab nationalism, if hostile to Zionism, may prefer to divert trade through the Arab port of Beyrout.

The Zionist replies to such objections with the statement that it is men, and not material conditions, that count, and gives as an example the Jewish diamond-cutting industry of Amsterdam. It is no doubt true that a number of minor industries, importing raw materials of small bulk compared with their value, can be established successfully in Palestine by Jewish enthusiasm, capital and technical skill. An example is indeed already present in the successful export of artificial teeth. A few minor exports, however, cannot be expected to support a population of the density of that of Belgium. The statistics of imports and exports for the last few years are striking in this respect.

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		(ooo's omitted)				
		1931	1932	1933	1934	1935
		£	£	£	£	£
Exports including						
citrus . . .		1,572	2,381	2,591	3,217	4,215
Imports for con-						
sumption . . .		5,940	7,768	11,123	15,152	17,740
Exports of locally						
manufactured						
goods . . .		364	435	406	404	478

Thus, while the Jewish population has doubled, and imports have trebled, exports of locally manufactured articles have only increased by about 30 per cent. Nor has the imposition of substantial protective tariffs availed to prevent the repeated collapse of industrial enterprises.

III. LAND AND OTHER PROBLEMS

IT is evident that those who drafted the Mandate supposed that there was a great deal of spare land available in Palestine which the capital and technical skill of the Zionists could render available for Jewish settlement without prejudice to the Arab agricultural community. The reports of several expert investigators suggest that the quantity of such land was seriously over-estimated, just as the density of the existing population was underestimated. At the present time, when the Jews have been settled in a large portion of the coastal plain and in the plain of Esdraelon, the only area offering a prospect of immediate development is the marsh land in the Lake Huleh district, already entrusted to the Jewish Agency. The Jordan Valley area presents great difficulties of various kinds, while the Beersheba district is not practicable, unless water can be found in sufficient quantities, a condition that still remains to be satisfied. In the non-irrigable hill districts it must be years before the *fellahin* can learn to improve their cultivation sufficiently to make any space available for immigrants.

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The consequences of these facts are apt to be obscured because the labour schedules for immigration show large numbers of persons as proceeding to work on the land (in 1935, some 3,800). Some of these are absorbed in the older settlements, which in some cases are becoming industrialised; others take the place of Jewish agricultural workers who have left for the cities. The great immigration of 1933 to 1935, for instance, drew many workers from the land owing to the high wages offered in the building trade. Some replace Arab labour in the orange orchards. The Jewish immigrant labour, insistently offered to Jewish farmers at Rehovoth and elsewhere by the Jewish Labour Organisation, has proved unsatisfactory, both on account of the extreme socialist views of many of the immigrants and on account of their lack of agricultural instinct. The Jewish Farmers' Federation has therefore recently made efforts to find Jewish agricultural labourers from abroad. The experiment is said to be proving fairly successful, but it seems doubtful whether the Mandate intended to promote close settlement in Palestine in order to introduce Jewish immigrants who were already on the land in their country of origin.

The possibility of Jewish agricultural settlement would be far greater if Transjordan were also available. Any such possibility would seem to be dependent on a settlement of the Arab-Jewish problem in Palestine in a manner acceptable to Arab opinion.

The Jewish immigrants are very diverse in type and culture. The majority come from Poland, and Polish Jews form about half the total Jewish population. The intellectual leaders are often of Russian origin (Sokolov, Bialik, Shmaryah Levin and others). The needy, cheerful, half-Arabised Yemenis form the majority of the bootblacks and newspaper sellers, and Yemenite women are often employed as domestic servants. In the last few years there has been an influx of German Jews (8,000 in 1935, nearly one-seventh of the total immigration for the year).

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Their assimilation with the existing Jewish community has presented certain difficulties. They are generally of superior education and manners, and are more disposed to take a sympathetic attitude towards the Arabs. As a whole they have not come to Palestine either out of a romantic attachment to the land or out of a desire to create a Hebrew culture, but simply to escape from conditions in Germany. In general, however, the Jewish immigrants arrive with the determination to create a Jewish homeland, Hebrew in language, and not with the least idea of co-operating with Arabs in building up a common fatherland. As a highly-educated Arab expressed it, "When Zionists ask us to co-operate with them, for example, in the Hebrew University, they mean that we should pay the fees and study in Hebrew, just as an English student might pay his fees and study in any foreign university".

Nor, for that matter, is the Arab interested in a joint culture; he is looking forward to a revived Arab civilisation whose sphere of influence will extend from Baghdad to the Atlantic. Politically the young Palestinian is turning more and more towards 'Iraq. The powerful figure of Ibn Saud also has its attraction, in spite of the backward condition of his realm.

There is no definite injunction in the Mandate to encourage the growth of a joint Palestinian sentiment, nor has the Administration made any serious effort to do so. The Hebrew and Arab educational systems are totally distinct, and, to take another example, while the British flag is flown and there exists a Zionist flag, there is no specifically Palestinian flag. If it was desired to take measures to produce a joint Palestinian sentiment, it would be necessary to train a select body of officials with a special knowledge of Jewish and Arab culture and affairs, and to give the Palestinian Arab such undeniable educational, economic and other advantages over his fellow Arabs in Syria and 'Iraq as to compensate him for his political separation from them.

CONCLUSION

Article 2 of the Mandate makes the Mandatory responsible for putting the country under such conditions as will secure the establishment of the Jewish national home. At the same time it makes him responsible for seeing that these conditions are such as to secure the development of self-governing institutions. The non-Jewish communities of Palestine, seeing that after 13 years the country is still without self-governing institutions such as even Transjordan possesses, claim that the Mandatory has unduly emphasised one of the responsibilities laid on him in Article 2, to the detriment of the other. Jewish opposition to the very emasculated Legislative Assembly recently proposed by His Majesty's Government is regarded by them as proof that the Zionists are determined that there shall be no sort of Parliament in Palestine until they themselves are in a position to control its policy.

IV. CONCLUSION

IMMIGRATION has recently been officially regulated according to "the economic absorptive capacity of the country". As Zionist policy has not been determined primarily by economic considerations but by the desire to establish the maximum number of Jews in Palestine in the shortest possible time, immigration has in fact been limited only by the amount of funds at Zionist disposal, the labour schedule being somewhat reduced by the Administration in order to obviate immediate unemployment and, it is alleged, somewhat increased in response to Jewish difficulties abroad. The Zionist organisation has been able to direct to Palestine the enormous sums necessary, by inculcating the belief that the country is capable of tremendous industrial development and can become virtually a Jewish State, though containing an Arab element, mainly settled in Transjordan, which would be admitted to political parity. This belief is based on the theory that by acquiring at least equal political rights with

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the Arabs, combined with a substantial numerical majority and an overwhelming economic, industrial and financial superiority, it would be possible to control Palestine completely, force an entrance into Transjordan, and perhaps elsewhere, and so acquire a sufficient territorial basis for an otherwise very top-heavy structure. Zionist activity is exclusively directed to the development of Hebrew civilisation, and any benefits to the non-Jewish population, such as those derived from the greatly increased wealth of the State as a whole, are purely incidental. If the Jewish leaders and masses were ever to be convinced that their project could not thus be realised, either because of the strength of Arab opposition, or because of the refusal of the Mandatory to admit such an interpretation of the Mandate, or because of the pressure of economic realities, it is reasonable to suppose that funds would no longer be available in such quantities and that immigration would automatically drop to manageable proportions.

That such an interpretation of the Mandate is in fact inadmissible would seem to be indicated by Article 6. This definitely makes immigration contingent on the condition that no prejudice be done to "the rights and position of other sections of the population".

Moreover the measures taken by the Mandatory Power to override Arab opposition to immigration, which is limited only by the "economic absorptive capacity of the country," have aroused such feeling in 'Iraq as to result in the murder of Jews in Baghdad and the publication by the Grand Rabbi of a manifesto publicly dissociating himself and the 100,000 Jews of 'Iraq from any sympathy with Zionism. It may thus be argued that the Mandatory has wrongly interpreted the Mandate, in that it has failed to observe the proviso in the preamble that "nothing should be done which might prejudice the rights and political status enjoyed by Jews in any other country".

It would therefore seem desirable to abandon the very equivocal phrase "economic absorptive capacity" and to

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return to the statement * of the first High Commissioner, Sir Herbert Samuel, in which he defined the Balfour Declaration as meaning that

the Jews, a people who are scattered throughout the world, but whose hearts are always turned to Palestine, should be enabled to found here their home and that some of them, within the limits that are fixed by the numbers and interests of the present population, should come to Palestine in order to help by their resources and efforts to develop the country, to the advantage of all its inhabitants.

To give effect to this principle, it would probably be advisable to take up Mr. Churchill's suggestion in the White Paper of 1922 and entrust the discussion of immigration to a "board which would be representative of Palestinians of all classes. In the event of irreconcilable differences of opinion arising, the points at issue would be referred to His Majesty's Government for decision". Such a board would of course be able to take into consideration the natural increase of the population (24,000 a year Arab, 7,000 a year Jewish) and the difficulties of Jews abroad, as well as the immemorial practice of such Arabs as labourers from the Hauran, domestic servants from Egypt, Iraqi silversmiths, professional men and so forth, of seeking employment in neighbouring Arab lands wherever conditions are favourable.

Without attempting to forecast the conclusions that such a board might reach, we may note that an immigration of, say, 8,000 Jews in any one year (economic and general conditions being favourable) would result in an annual increase in the population of about 39,000, and that in 25 years the population would total something over 2,200,000. This would be just about the population of Wales, Jewish money and intelligence taking the place of Welsh natural resources in coal and iron. The proportion of Arab to Jewish population would then be approximately 15 : 7.

* June 3, 1921.

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If agreement can be arrived at on the question of immigration, that of land sales should not be insoluble. The Survey of Palestine is nearing completion, the reports of the experts are available and the problem is reduced to getting agreement as to the method least inconvenient to both Jews and Arabs of preventing the displacement of Arabs from the land by the uneconomic prices offered to landowners by Jewish interests. The reservation of definite areas for Arab and Jewish cultivation, and the securing to tenants of a "*lot viable*", are possible alternatives. The Jewish Agency itself does not deny that some legislation is necessary, but it wishes it to be such as not to hinder "legitimate development".

The settlement of these two questions should remove the main causes of friction between the two communities, and there should then be comparatively little difficulty in the establishment of some form of Legislative Council, whether chosen on a territorial, communal or corporative basis, or as a function of separate Jewish and Arab agencies. The Arabs have long become accustomed to Jewish cultural autonomy, and if Zionist activity were once recognised to be directed for the benefit of all Palestinians, and not primarily for the benefit of one section of the population only, there would be no reason to anticipate any serious new difficulties arising.

With regard to Jewish grievances, the Commission may be expected to find that while there may have been many errors, such as the delay in building roads in the coastal plain, a routine outlook and lack of imagination in officials and so forth, the provisions of the Mandate have in the main been carried out. The Jewish Agency has been recognised and duly consulted. It has co-operated in the development of the country. Immigration has been facilitated. Hebrew has been recognised as an official language. Jewish settlement on the land has been, and is being, encouraged as far as circumstances permit. Various important concessions have been granted to Jewish

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interests. Jews who are permanently resident have been enabled to take up Palestinian nationality. A new land system is being introduced. In short, "a national home for the Jewish people", as defined in the Mandate, exists in Palestine.

What then were the underlying causes of the recent disturbances? It seems probable that the Royal Commission will find that the outbreak was due to Arab resentment that had its origin partly in the non-fulfilment of national aspirations, which were encouraged by Allied promises and proclamations during the war of 1914-1918, and partly in the fear of becoming the less significant partner in a predominantly Jewish State. The latter fear is intimately connected with the question of Jewish immigration, and until there is a definite settlement on this point it is unlikely that Arab opposition to the National Home will be greatly modified. If, on the other hand, the policy adopted by His Majesty's Government, after considering the recommendations of the Royal Commission, should result in a settlement satisfactory to Arab sentiment, there seems reasonable ground for believing that some of the neighbouring Arab lands might be glad to profit by a measure of Jewish capital and labour in the development of their own economy and agriculture.

It may not be out of place here to point out that the problem of the Palestine Mandate is of international importance, affecting as it does Jews of all countries and involving also the relations of the Mandatory Power with other Arab lands, as well as with many millions of its own Mohammedan subjects. It might therefore be worth considering whether the administration should not be transferred to the Foreign Office.

In the meanwhile, it would certainly be advisable to explore every possibility of Jewish immigration into other lands. In the case of prospective immigrants into Palestine, it would be well that the point of view of the Mandatory Power concerning the possibilities of development

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in Palestine, the existing political and social conditions, and the attitude that the Administration expects immigrants to observe with regard to the non-Jewish sections of the population, should be made perfectly clear before permission to immigrate is granted.

FROM AGADIR TO NUREMBERG

“**B**RTAIN, France and Germany” was the title of a remarkable article that appeared in *THE ROUND TABLE* for December 1911, less than three years before the outbreak of the world war, and just a generation ago. The occasion was the Agadir incident of the previous July, followed, as it had been, by Great Britain’s sharp and successful challenge to German diplomacy. To-day, the Spanish civil war has raised once more the problem of the control of Morocco, out of which those dangerous happenings arose; it is as true now as it was in 1911 that “the ownership of the soil across the straits of Gibraltar and commanding the entry to the Mediterranean is a matter vitally affecting the sea power of England”. The armaments race, the general international tension, enforce the resemblance with the past. It is therefore of far more than historical interest to re-read those pages and re-value their judgments in the light of what we know to have followed.

I. THE PAST

THE Agadir incident, declared the article of 1911, grew into a European crisis because it happened to focus in a single dispute two almost distinct international quarrels. In one aspect it was an episode in that contest over the partition of Africa which for twenty years had embittered the relations of European Powers. In another it was an incident in the silent conflict between England and Germany. The article went on to summarise the history of African partition and the Moroccan question. Germany, having been left behind in the colonial scramble of the nineteenth century, had been pressing France for “compensation” in

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return for the recognition of French rights in Morocco, and had hoped to be allotted the French Congo, as the key to a central African Empire. The despatch of the *Panther* to Agadir was a "shot across the bows", an intimation that France must parley or fight. Then came Mr. Lloyd George's famous speech threatening to go to war rather than submit to the "humiliation" of seeing Great Britain's vital rights and interests ignored. By the end of the month, every man in the naval and military forces of Great Britain, France and Germany had been warned for active service. In the writer's view, however, there had never been any urgent likelihood of European war. Germany had been forced to climb down and to moderate her demands in Africa.

The explanation of this sudden change, said the article, could be found only in the second international problem involved at Agadir, the rivalry of Germany and England. After the forceful union of their country under Bismarck, the Germans had aspired to play the same part in the outside world as they had acted with such success in Europe. Their ambitions, sound in moderation, had become over-inflated, till they challenged the very existence of the British Empire. The response had been a great increase of the British fleet and the creation of the *triple entente*, which was anti-German in the sense that it was meant to guarantee that none of the parties should be mulcted by the "merciless diplomacy of Germany".

To the Germans, there was much of hypocrisy in the British attitude. Great Britain's policy, in their eyes, had been for centuries to repress by force or diplomacy the second strongest world Power; nor were her people ever lacking for moral principles to justify to themselves their selfish imperialism. The Lloyd George speech was a fresh sample of Britain's insatiable jealousy; for she was nothing but an outsider in the Moroccan negotiations. On the other hand, in British eyes the Agadir incident had been a calculated attempt to break up the *entente* with France.

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The fundamental need of Germany, declared the article, was expansion. She was a young, vigorous, and rapidly growing Power. She must provide for the future of her growing population and of the industries that supported them. The best German opinion was strongly averse to further territorial expansion on the Continent. Germany could not afford to include any more non-German irredentist elements within her borders. Denmark, Holland, even the eleven million Germans in western Austria, were more use to Germany as they were—insulating cushions to absorb the shock of her contact with Russia and England. As for the acquisition of territory beyond Europe, fit for white settlement, thoughtful Germans realised not only that all suitable parts of the world were already held by the British Empire or independent Powers, but also that every one of them was peopled by a white community who would fight to the death rather than accept the German flag. In any case, would it not be better for Germany, if she could, to keep her population at home, building up a state that would grow stronger year by year and would thus acquire an even greater influence in the world, at the expense of Powers that had dissipated their energy and their population in illusory dreams of empire?

If, then, Germany was to provide for the natural increase of her population at home, she must find ever-increasing markets abroad. This, rather than territorial expansion, was her "fundamental national need". There were limits, as she had discovered, to the expansion of her markets in countries as industrialised as herself, especially when they, too, adopted highly protective tariffs. Hence Germany had been paying increasing attention to new markets like China, India and Africa. She stood firmly for the commercial Open Door in such countries. But she had no guarantee that this vital interest of hers would be preserved in the future. Hence "either she must acquire dependencies of such extent that they will compensate her for exclusion from the dependencies of other Powers,

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or she must have adequate assurances that the vast markets of Africa and Asia will not be closed to her people." Germany would unquestionably prefer to possess dependencies of her own. Nevertheless, a large dependent empire was not vital to her. It was certainly not worth her while to go to war for the sake of dependencies of her own, if she could assure the Open Door to those of other empires. But in that case a strong navy became an imperative necessity for her future.

The paramount interest of the British Empire, on the other hand, was not expansion but to keep what it had and to enjoy it in peace. England's interests as a great commercial and manufacturing Power, broadly speaking, coincided with those of Germany. She also was in favour of the Open Door. It was her policy in her own dependencies, for political as well as economic reasons.

It would be entirely inconsistent with her position as trustee for the subject peoples that England should manipulate the tariffs in India or the African dependencies for her private advantage. . . . She may well inaugurate a system of local protection if it proves to be beneficial to the development and civilisation of the people. But to restrict their trading with foreign Powers for the sake of British manufacturers would not only be unjust but would cut at the root of her Empire.

The British Empire, however, had one distinct vital interest. Supremacy by sea was not only necessary to its peace and safety; it was the very condition of its existence. England need oppose Germany, then, only if Germany aimed at the supremacy of the sea in order that she might overshadow the Empire.

The British people were feeling the effect of the sudden appearance of a new and powerful State. The tendency of the Englishman to ignore the other man's point of view, indeed to believe that indefeasible right lay behind his own, was intensely galling to a young and aspiring people like the Germans. The German people, on the other hand, had had a remarkable and deserved success in the past forty years, but their very achievements had turned their

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heads, and caused them to set their ambitions impossibly high. Their history had also bred in them a belief in the value of force and its ruthless use by the state. Bismarck and his Prussian army had brought peace and unity where chaos and war and stagnation ruled before. Both at home and in their external relations, the Germans believed in the efficacy of force and authority to an extent that was scarcely comprehensible to the Anglo-Saxon mind. That was why the Germans tolerated a government tyranny in repressing disorder and enforcing uniformity that would produce instant revolution in America or the British Empire.

The constitutional and administrative system of Germany also tended to drive her into an aggressive yet unstable foreign policy. There could be no wholesome changes of Government. Intrigue was inevitable, and since intrigue was inconsistent with a clear straightforward policy German diplomacy was notoriously shift and untrustworthy. Moreover, since the Government could not alter it was blamed for everything that might go wrong. The more unpopular it grew at home the stronger was the bias in favour of recovering its prestige by glory abroad.

In such circumstances, what else can Germans expect but to find their neighbours on the defensive? . . . Germany's position is not the product of British jealousy, but of her own aims and policy in the past. It is impossible to do business with a man who, wittingly or unwittingly, is threatening your life, whose methods you cannot trust, and who enters your room brandishing a club.

The essential preliminary to an improvement in Anglo-German relations was proof that the aims of Germany did not threaten the existence of the British Empire, and that it was no longer her policy to squeeze and cajole weaker Powers at the risk of plunging the world into war. Meanwhile, we must remember that peace and our safety depended on our strength. However Anglo-German relations might be improved, England and Germany would remain separate Powers, whose interests from time to time would

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conflict. Peace was preserved, ran the conclusion, not by that balance of power which impelled each side to think itself the stronger, nor by that excess of offensive strength which provoked ambition, but by that condition in which each people was certain only that it could defend itself. So long as it was impossible for Germany to defeat the British Empire by sea, and impossible for the British to conquer the Germans by land, nothing save madness could produce a duel between the two.

II. THE PRESENT

THOSE conditions of Anglo-German peace could not have been more fiercely and decisively tested; the British navy by sea, and the German army by land, remained unconquered through four-and-a-half years of war. Yet the madness prevailed. Why was the judgment of the article thus apparently disproved? Looking back, it seems that the writer went too far in isolating Anglo-German rivalry from the general international complex, and in appearing to set it above other direct potential causes of world war. In particular, too little attention was given to the motive force of Russo-German rivalry for diplomatic mastery of the Balkans and Turkey, and for the succession to political control in the break-up of the Turkish and Austro-Hungarian Empires. These and other causes inherent in the world situation of the day gave rise, in the years between 1911 and 1914, to ever tauter alliances, ever mightier armaments and ever deeper suspicion, till it needed only an assassin's hand to set in motion the dreadful clockwork of the military time-table.

The same international complex of armaments and alliances and suspicions is being repeated to-day. The German-Russian conflict remains, though its nature has altered; the rivalry of communism and fascism for the succession to liberal democracy has taken the place of the rivalry of Slav and Teuton for the succession to the empires

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of eastern Europe. An earlier article in this issue * has already analysed the bearing of this international situation on the policies of the British Commonwealth nations. Here we are concerned to examine separately the relations between Great Britain and Germany—this time, however, with the clear warning that they are but a subordinate part of a wider complex.

First of all, let us note the essential points of difference, by comparison with the facts of 1911. The challenge of Germany is not expressed to-day in the form of naval rivalry. In that respect, world strategy has been entirely altered. On the one hand, the British Empire is no longer supreme on the oceans, but shares naval parity with the United States, and in the western Pacific takes second place to Japan. On the other hand, Germany, apart from her strength by land, has concentrated her armament revival on the air arm, and has signed a naval pact with Great Britain whose effect is to give her local security by sea without setting up a challenge to the world power of the British fleet.

Other points of difference are to be found in the map of Europe. Germany, defeated in the war, lost large portions of her former European territory, as well as her colonies. The irredentism that was absent from her policy in 1911 is a dominating force to-day. Expansion in Europe has been restored to a place of honour among her objectives. Again, the partition of the Austro-Hungarian Empire has created on the one hand a group of States characteristically opposed to German expansion, and on the other, along with discontented and revisionist Hungary, a small, poor, isolated, almost entirely German-speaking Austria. Beyond, the Russia of the tyrannous bureaucracy, the crumbling feudalism and the smouldering revolution has given way to a communist dictatorship, internally far stronger and more united than the Czarist empire, and externally feared for its faith in revolution and in the brotherhood of

* See above, p. 3.

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the "workers of the world". But if the fear and enmity between Russia and Germany are to-day no less, a chain of buffer States has been set up between them, including the fourth largest Power of the cis-Russian continent.

More profound than any of these changes is the fact that we are to-day within twenty years of the greatest war the world has ever known. Implicit in the comments of 1911 and in the diplomacy of that era was the assumption that war sooner or later, somewhere or other, was inevitable—might even be regarded as a normal method of international adjustment. Our minds seem, indeed, to be slipping back into that attitude, but we have learnt meanwhile a terrible lesson. We know that the rewards of war for the victors are Dead Sea fruit. We know that the sacrifices and destruction of modern war are far more disastrous than even the most triumphant victories could repay. We had a sufficient foretaste of air bombardment of civil populations, the use of poison gas, and other modern horrors, to realise that another world war would be still more terrible than the last, and might destroy the whole of our civilisation. The people of the world have learnt to dread war as it was not dreaded in 1911. This fear, generally speaking, makes war less likely. On the other hand, it makes "collective security" more difficult, by causing the peace-loving nations to view with distrust, and to implement with reluctance, any obligations they may enter into to rally to the defence of others. By the same token it has rendered more difficult the problem of Commonwealth co-operation for mutual defence. It has also made the way of mailed-fist diplomacy easier, by inclining the victims to draw back the frontier of concessions at which they will fight rather than give way.

The lessons of the war came home to Germany more forcibly, perhaps, than to any other nation. In 1911, the German Empire, resplendent in "shining armour", had never been defeated since the Bismarckian union. But when "Der Tag" came the programme did not fall out

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according to plan. In spite of the collapse of Russia, in spite of Germany's ability to hold half the world at bay for over four years, in the end she collapsed, paying a terribly heavy price, not only in losses of men and material and territory, in such reparations as she paid, in the penal disqualifications of the peace treaties, but also in national ignominy, humiliation, and political disorder. If the Germany of Kaiser Wilhelm II. thought twice before daring the issue of war, the Germany of Adolf Hitler will think three times.

Yet who dare say that the warnings of 1911 are in no degree valid to-day? To match the uprush of German nationalism, ambition and pride that followed the Prussian Confederation there is the far shorter but far more intense revivalism of the National Socialist movement. Scarcely a phrase would have to be changed in this key paragraph on Germany's position to make it fit the pages of *THE ROUND TABLE* twenty-five years later :

The real necessity she has been under to force her way to her proper place in the world has made her proceedings inevitably disturbing and inconvenient to other Powers. The exaggerated notions entertained by the German people of their own prowess and future has led them to ambitions which threatened the liberty and vital interests of their neighbours. Her system of government has increased this tendency and made her policy restless and untrustworthy. And, finally, the intense belief of the Germans, and especially of the Prussians who control Germany's policy, in the use of force as the proper method of achieving their national ends, has produced a diplomacy which is a by-word throughout the world for violence and pride.

The leopard has not changed his spots nor the Ethiopian his skin : the self-righteousness of the Englishman and the boastful militarism of the German remain their besetting sins. The British still prove their own interests to be moral virtues, and the Germans still tolerate "a pitiless government tyranny that would produce instant revolution in America or the British Empire". The constitutional and administrative system of Germany still tends to drive her

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into an aggressive yet unstable foreign policy. The safety-valve of a change of Government is still jammed, and even passing unpopularity at home, now as a quarter-century ago, biasses the Government in favour of recovering its prestige by adventure abroad. "In such circumstances", as THE ROUND TABLE wrote in 1911, "what else can Germans expect but to find their neighbours on the defensive?"

Still more important, from the point of view of the British Empire, is the fact that the fundamental interests of the Empire and Germany are unaltered. Germany needs markets for her manufactures in order to buy the food and raw materials she must have if her people are to live at a standard of life commensurate with their education, energy, technical ability and skill. The fierceness of Herr Hitler's campaign for self-sufficiency is itself proof of her necessities. That campaign can never be fully successful, for physical reasons, and its partial success can be bought only at the expense of a tightening of the German belt which is bound to increase the political dangers. To-day, Germany's need for markets is thwarted even more sharply than in 1911 by the protectionism of other countries and empires. Customs barriers have multiplied in Europe with the creation of new States and the growing rivalry of their nationalisms. India and China are following the British Dominions and other primary producing countries in setting up as manufacturers on their own, behind protective tariffs. Japan is an aggressive competitor in all world markets. Russia, a great potential market for German wares, is politically estranged. Great Britain has abandoned free trade, and in a large part of her dependent empire no longer maintains the Open Door. These facts remain true whatever German policy may be, though it may fairly be argued that Germany's economic, monetary and social policy has done nothing to relieve the pressure on her or to make it easier for her to keep or secure competitive markets.

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As in 1911, so in 1936, Germany may turn either to Europe or to the outside world for the expansion she feels she requires. In Europe, while pursuing the maximum of self-sufficiency, she may seek by financial and political pressure to secure a sufficient zone of economic influence to satisfy her needs. Dr. Schacht's recent tour of the Balkans may be regarded as a move in such a policy. Or, coupling her economic needs with her racial doctrine, she may aim at territorial expansion, or at least the servitude of vassal States, to give her economic security and political power. What other interpretation can be given to Hitler's covetous phrases about the Ukraine? It is common ground among students of international affairs outside Germany that her leaders' constant harping on the "Slav and communist menace" is intended to create an atmosphere in which she will be able to turn to her own advantage internal political dissension [and disorders in other countries.

But what if German ambitions turn beyond Europe? Here again, there are both peaceful and aggressive possibilities. The extension of German markets in Asia, in South America, even in the British Empire, may be a source of commercial anxiety for Great Britain and others of her trade rivals; it cannot be a cause of war. The policy of imperial preference in the dependent empire is indeed a legitimate grievance for Germany, and the political and economic arguments for the colonial Open Door, which are no less valid to-day than they were in 1911, are reinforced by the desirability, as a matter of world policy, of relieving the pressure on the empire-less countries by any safe means within our power. It is the opinion of THE ROUND TABLE that to have abolished the principle of equal commercial opportunity for all nations in the colonial empire was a grave mistake, which ought to be reversed. Provided we do not ourselves pursue a selfish exclusionism in commercial and imperial policy, it remains as true as it was twenty-five years ago that the diplomatic and martial

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power needed by Germany to maintain her world interests need not constitute a challenge to the British Empire.

III. GERMANY AND COLONIES

GERMANY, however, tempted by the illusion of political prestige as well as by her genuine economic needs, may seek world expansion in the pursuit of a dependent empire of her own. It was the doctrine of *Mein Kampf* that Bismarck was right in his opposition to colonialism,* that Germany's destiny lay in Europe, that the imperialist aspirations of the pre-war generation were misconceived, and would only lead Germany into a dangerous struggle with countries whose friendship she needed. But Hitler's Nuremberg speech, with its vague though violent insistence on Germany's colonial claims, seemed to imply a repudiation of that doctrine by its author himself. Since then, the course of events has been confusing to the outside public. Elaborate preparations had been made for the first annual congress of the Reich Colonial League, in which guise the old German Colonial Society has been absorbed into the official Nazi machine. Then suddenly, early in October, the congress was "indefinitely postponed", under orders from the Fuehrer's deputy, an action that was not unnaturally interpreted abroad as reflecting second thoughts on colonial expansionism as an official doctrine. But the propaganda did not cease, and if the doctrine was indeed laid aside it was only for the moment. Late in October General Goering, in a speech on the four-year self-sufficiency plan, declared :

Our colonies were stolen from us. We want to share in the world's raw material sources, and we shall get them;

and he went on to make a direct comparison between the pressure of population in Germany and that in England, with her great empire to relieve it. This was followed by a speech by Dr. Goebbels, in the course of which he said :

* " *Von Haus aus bin ich kein Kolonialmensch*", he said in 1889.

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If English newspapers reply to General Goering's speech by saying that we can buy raw materials, then we must reply that that is an insolent and insulting argument. We will, of course, take up the fight against the world for our colonies.

These provocative utterances caused the Foreign Secretary, through the Ambassador in Berlin, to draw the "friendly attention" of the German Government to so serious a breach of international good manners and neighbourliness.

In connection with colonies, a serious warning is to be drawn from the article of 1911 that is the text of these reflections. The author took it for granted that Germany's dependent empire of that day was negligible for her economic purposes. There was no suggestion that what are now the mandated territories were even nearly sufficient to satisfy German economic needs or political ambitions. To a present-day reader this comes as one of the most striking features of the article, an unmistakable warning that, whatever the return of Germany's former colonies would do for good-will in the political field, it would neither satisfy her economic needs nor sate her national ambition. The total white population of the German colonial empire, just before the war, was under 25,000, two-thirds of whom lived in the single colony of South-West Africa. Germany's total exports to her colonies were less than £3 million per annum. Then as now, their capacity to supply her with raw materials was strictly limited physically and economically. Moreover, they were costly to her Exchequer, which had to make good colonial deficits totalling 295 million marks between 1908 and 1913, not counting the overhead cost of colonial administration. Arguments—familiar nowadays outside Germany—to discount the economic value of colonies were common currency in Germany before the war. Thus Herr Bebel declared in the Reichstag in 1906 :

Germany's trade with the British Empire amounted to 2,700 million marks in 1905 and did not cost Germany a farthing; and if Germany should lose all her trade with Denmark (300 million

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marks in 1905) it would mean much more than if all her colonial trade (64 million marks in 1904) "went to the devil."

The economic argument for the return of Germany's colonies simply does not hold water. The real motives must be sought in diplomacy, strategy and prestige.

The undoing of the colonial clauses of the Versailles treaty would undoubtedly mean a great accession of prestige both to the National Socialist Government at home and to Germany abroad. And it would undoubtedly increase the strategic anxieties of other empires and thus make it easier for Germany to over-ride their interests. In this respect, the countries of the British Commonwealth would obviously be the chief losers, as they would be the losers in prestige if the transfer appeared to be made by virtue of their own weakness or pusillanimity. In this light, Germany's colonial demands are unlikely to appeal to Great Britain, to the Dominions, or for that matter to any country not politically affiliated to Germany herself.

One may be excused, indeed, for wondering whether the true reasons for those demands—as to-day expressed by the Nazi leaders—are to be found in the objective merits of the colonial question. Bismarck's attitude towards colonialism, from which Herr Hitler's clearly draws much of its inspiration, may be interpreted, not as one of opposition in principle, but merely as one of invariable subordination to foreign policy.* When it suited his hand to push forward German colonial expansion in Africa or the Pacific he had no hesitation in doing so, and by skilful playing of this extra card he succeeded on occasion, not only in sowing suspicion and discord between England and France and other colonial Powers, but also in splitting public opinion in Great Britain itself. Is there not at least a possibility that Herr Hitler has a similar purpose in raising the colonial question to-day, after having himself declared it to be distracting and dangerous? To sap the

* See *The Rise and Fall of the German Colonial Empire*, by M. F. Townsend. (New York, Macmillan, 1930.)

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moral strength of Great Britain's position, to sow discord between the colonial and the non-colonial Powers among Germany's neighbours, and to confuse and divide British public opinion—these would be diplomatic objectives well worth achieving. For our own part, we are not yet convinced that this diagnosis is the true one, but the chance of its being true makes it all the more important for the nations of the Commonwealth to pursue a patient, straightforward and unequivocal policy towards the colonial question.

That question raises many other issues—our obligations towards the native peoples, the independent rights of the self-governing Dominions to whom some of the most important mandates have been entrusted, the rights and interests of the League of Nations, by whom the mandates were issued. There is, however, nothing in those issues to suggest that we need qualify the conclusion already reached on other grounds, namely, that to give way to German demands on this score would be to hinder rather than to further the cause of world peace. If that negative conclusion is sound, nothing is to be gained by vagueness or delay in explaining to the German Government that the agitation for the return of colonies is and will remain fruitless.

We are left with the other three possibilities for German expansionist policy: non-territorial expansion outside Europe, non-territorial expansion in Europe, territorial expansion in Europe. Which of these is most likely to make for the eventual rule of peace and justice in the world? What can we do towards making that choice feasible and welcome to the German people? These are questions that the Governments of all the British Commonwealth countries must urgently face; for if the wrong course is taken and war results, there is very little chance of our being able to stand aloof or to view the outcome with impartial reserve.

THE EGYPTIAN TREATY AND AFTER

I. THE MILNER MISSION AND THE PROTECTORATE

IN his speech at the signing of the Egyptian Treaty, Mr. Anthony Eden said that it was the completion of work which had been going on for sixteen years, that is, from 1920, when Lord Milner presented the report of his Mission to Egypt, until the present time. Yet to understand this history we need to go back rather more than sixteen years. Why did the Milner report, carrying, as it did, the authority of one of the most influential Ministers of his time and backed by the unanimous support of his five colleagues, receive such short shrift from the Government of which he was a member? Why has it taken so many years to carry into practice the method that he and his colleagues recommended?

There is an Egyptian as well as a British side to this story, but the main obstacle on the British side was that in 1920 many Ministers and large numbers of the public regarded Egypt as an integral part of the British Empire and were beyond measure astonished that Milner, whose imperialism was unimpeachable, should have proposed what they regarded as a surrender and abandonment of British territory. But Milner was an old Egyptian official who never for a moment thought of Egypt in those terms. He had served under Lord Cromer and had seen the scrupulous care which that greatest of Egyptian administrators had taken to preserve the theory that Egypt was a self-governing unit of the Turkish Empire, governed by a Khedive and Council of Ministers, though temporarily in the occupation of Great Britain. Cromer had never claimed to be more

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than Agent or Consul General of the occupying Power, the *doyen* of the foreign representatives in Cairo, and though he might be the *de facto* ruler of the country he left the insignia of power in the hands of its nominal rulers. Whenever he was pressed by the Egyptian nationalists, as he was more and more in his later years, his answers were so framed as to leave all doors open and to lead them to believe that the restitution of their independence was one of the objects of British policy.

Cromer and the Governments that instructed him had to keep their eye on the European as well as the Egyptian situation. Up to 1904 France still bitterly regretted having missed her chance to share the control of Egypt with Great Britain, and watched jealously any move which suggested that we intended to convert occupation into annexation. During the negotiations for the Anglo-French *Entente* Delcassé fought to the last for a time-limit to our occupation, and though in the end he forebore to press this it was on the understanding that we should not alter the legal *status quo*. The bargain was characteristic of pre-war diplomacy. The French recognised our "special position" in Egypt; we in return recognised their "special position" in Morocco. There were grumblers who said that taking the whole deal—including Newfoundland and Sokoto—the French had got much the best of it, but Cromer, who had felt the heavy hand of many French Governments, insisted that their concessions to us in Egypt were worth all that we were conceding to them and a good deal more, and it was that view which in the end carried the day.

This back history governed the situation when the Great War broke out. The accession to our enemies in November 1914 of the Sultan of Turkey, who was still legally suzerain of Egypt, automatically converted his Egyptian subjects into enemy aliens. Something had to be done to regularise the situation. There were voices for annexation, but not only would it have been greatly resented by the Egyptians, who were then on the fence

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between us and our enemies, but it would probably have been resisted by the French as a departure from the spirit if not the letter of the *Entente*. All prudent advice from Egypt was against annexation and the Cabinet considered it only to reject it. Instead, it was decided to proclaim a "protectorate," a word of no precise meaning, and for that reason suitable to tide over the time without committing the British Government, which promised reconsideration of the whole question as soon as the war was over. Egypt and Great Britain lived together from day to day for the next four years on this temporary scaffolding. If that served its purpose as well as it did, it was largely through the fortunate choice of Prince Hussein Kamil to succeed Abbas Hilmi as Khedive, and the great good sense shown by British officials in Egypt, especially Sir Reginald Wingate and Sir Milne Cheetham, and by the Commander-in-Chief of the British forces, General Sir John Maxwell, whose unfailing good humour and tact in handling Egyptians were military assets of high value.

The Egyptians, nevertheless, were extremely unhappy during the years of the war. They had no strong feelings about the European conflict; if their preference was slightly for the British, it was because they feared the Germans and had no wish to be handed over to the tender mercies of the Sultan of Turkey, who was supposed to have stipulated that he should resume his direct rule over Egypt in the event of the victory of the Central Powers. The idea of the Sultan governing Egypt as a German agent was certainly not to their liking, and the abortive attempt of the Turks to invade Egypt had the fortunate effect of making it seem near and real.

But a patriotic Egyptian felt his position to be ignominious. He was caught up in a quarrel not his own; he had not even the dignity of a combatant; for, since he was technically a neutral, his army was to play no part. Yet the British took for granted that his country was at their disposal as a base for their operations, that he would supply

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labour battalions for their expeditions, provide asses, mules, fodder and grain to their order. All this he did under a practical compulsion, though everything was said to be voluntary. On the other hand, money poured into the country, and, if unscrupulous Mudirs and Omdehs lined their pockets at the expense of the *fellahin*, that, it could be said, was their fault and not ours. Nevertheless the odium of it fell back on us and, when the war ended, there was a seethe of discontent among the masses which was excellent material for agitators.

Further material was provided when the departing army found places for its former officers in administrative posts hitherto filled by Egyptians. Egypt, in a phrase current at the time, was "a paradise for the demobbing officer." To the discontent of the *fellahin* was now added the anger of the student and *effendi* class; and when the war ended and British Ministers pleaded that they were too busy to listen to the remonstrance of Egyptians and their demand that the situation should be reviewed, according to the promises made in the war, the country was ripe for rebellion.

II. INDEPENDENCE AND THE RESERVED QUESTIONS

REBELLION was easily suppressed, but the situation that remained after it needed prompt and wise action if Egypt was not to become another Ireland, and its coercion a chronic costly and discrediting liability to Great Britain. Milner perceived at once that there was no half-way house between this and recognising the claim of Egypt to independence, subject to her recognition of our imperial interests and the necessity of adequate measures to guard them. It was the old dilemma—conciliation or coercion; be generous in conciliation or face the consequences. The Mission hoped that its report would be accepted and Milner sent to Egypt to negotiate the proposed treaty. That was not to be. The Cabinet rejected the report; the Egyptian nationalists renewed their agitation and

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increased their demands. A delegation of the more moderate nationalists (Adly, Rushdy and Sidky) which came to London in 1921 to renew negotiations had no success. Curzon favoured a settlement, but the Cabinet feared the reproach of a "surrender to Egypt" following on their Irish settlement, and the soldiers were stubbornly opposed to the removal of the British garrison from Cairo, which had been recommended by the Milner Mission and was now demanded by the Egyptians. Followed a renewal of rioting and bloodshed and the deportation of the nationalist leader Zaghlul to the Seychelles.

In January 1922 Lord Allenby, who had favoured a conciliatory policy from the outset of his appointment as High Commissioner, brought the situation to a climax by insisting that the Government should regard it as one of "extreme urgency" and offering his resignation if his advice was not accepted. That advice was to abolish the protectorate at once and leave the treaty proposed in the Milner report to be negotiated afterwards. In this Lord Allenby had the support of the principal British officials in Egypt, and coming to London with his and their resignations in his pocket he obtained the reluctant consent of the Cabinet. On February 28, 1922 a proclamation was issued in Cairo revoking the protectorate and declaring Egypt to be an "independent sovereign State" but reserving for future agreement :

- (a) the security of the communications of the British Empire in Egypt.
- (b) the defence of Egypt against all foreign aggression or interference, indirect or direct.
- (c) the protection of foreign interests in Egypt and the protection of minorities.
- (d) the Sudan.

Fuad the successor of Hussein, who had been called Sultan of Egypt since the end of the war, now became His Majesty the King of Egypt. In spite of his unpopularity with his subjects, he had shown considerable skill and craft in steering his way between the British Government and

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Egyptian parties and agitators, and he had very decided views, which were to be developed in the subsequent years, as to the position and demeanour of a King in an Eastern country. Not the least important part of this declaration was that it made Fuad a King.

It was by this time any port in a storm. Allenby had at last forced the British Government to do something. But except on the assumption that the reserved questions would be settled with the least possible delay there was little to be said for that something. Egypt had been declared an "independent sovereign State", but Great Britain by her own fiat had "absolutely reserved" a group of questions which, on the face of them, were within the discretion of any sovereign and independent Power. This antinomy lay at the root of the Egyptian problem and neither party could evade it. As Milner had perceived, there could be no settlement unless, at the same time as she was declared to be sovereign and independent, Egypt voluntarily waived her sovereignty on points of vital interest to the British Empire. To declare her to be sovereign by a unilateral decree which left her free of any obligation in return was to increase her power to agitate without satisfying her ambitions.

But the corner was rounded for the moment, and the British Government turned again to other things, leaving the now emancipated Egypt to its own devices. A period of great confusion followed. The reserved questions hung over domestic politics and prevented any concentration on internal self-government. Fuad and Zaghlul vied with one another in baiting the British Government, the one proclaiming himself "King of the Sudan," the other making such demands that the Labour Government of 1924 was obliged to turn him from the door when he came to London. The Society of Vengeance again raised its head, and the murder of Sir Lee Stack, the Governor General of the Sudan, greatly exacerbated feeling and led to the renewal of martial law—which, incidentally, the King much preferred

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to parliamentary government under the liberal constitution promulgated in 1923.

The details from this time forward were told in a recent number of *THE ROUND TABLE* * and need not be repeated. They were all phases of the triangular duel between the King, the popular parties (that is to say, either the Wafd or attempted coalitions between the Liberals and the Wafd) and the British Government on the subject of the reserved questions. British High Commissioners were reduced to reprimanding each of the other parties in turn and at times threatening naval demonstrations, with the reluctant consent of their Government, which perceived only too clearly that whatever happened in Egypt they would be blamed for it by all the Egyptian parties, including the King. Constitution and parliamentary government flickered at times into an intermittent life, but came quickly to a deadlock in which the King resumed power and governed through his favourites and nominees. The death of Zaghlul in 1927 had in the meantime deprived the popular party of its most powerful leader. One effort after another to settle the reserved questions broke down on the question of the Sudan, in which the British Government was restrained by memories of the 1924 troubles, while Egyptian leaders walked in fear of being denounced by Wafd or Palace if they conceded what was reasonable in British demands.

So things dragged on till the summer of 1935, when the Italian invasion of Abyssinia made a new situation. Then there was a remarkable revulsion of feeling in favour of Great Britain and there could hardly have been a better moment for a settlement. But the Government at home was ill-informed; the reciprocity for which the Egyptians had looked was again slow in coming; the Foreign Secretary blundered into speeches which they interpreted as interference in their internal affairs; once again agitators demonstrated and students rioted. British Ministers, like their predecessors in 1920, thought that Egypt should

* No. 102, March 1936, pp. 266 *et seq.*

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wait until other and graver questions were settled and were slow to see the intimate connection between the Egyptian situation and the appearance of Italy in North Africa. These blunders were fortunately retrieved by unusual expedition when at length the question was taken in hand by Mr. Eden. Good sense was now shown on both sides, both in sweeping aside obstacles which had proved fatal to the previous negotiations and in realising what was new in the situation, as it presented itself in 1936.

III. THE TREATY SETTLEMENT

THE Treaty signed on August 26 awaits the ratification of the Egyptian Parliament and will have to run the gauntlet of debate at Westminster, but since it carries the fiat of two Governments, both of which have large parliamentary majorities, its fate need not be regarded as in doubt. It is, nevertheless, important to be clear about the nature of the settlement embodied in it. Let us consider first the military clauses.

The removal of the British troops from Cairo, originally proposed by the Milner Mission, was one of the chief stumbling-blocks in the earlier efforts for settlement, and now that it is conceded its meaning and consequences need to be carefully considered. From the days of Curzon onwards, all the negotiators had to reckon with the active or passive resistance of the soldiers in London and in Cairo. But it was really impossible to reconcile the presence of a British garrison in the heart of the Egyptian capital with the acknowledgment that the country was "sovereign and independent." The parades of British troops and tanks which were daily incidents of life in Cairo seemed in Egyptian eyes to make mockery of the proclamation of 1922. Nor was this merely a point of pride and vanity. The presence of British force in this obtrusive form had two practical results which between them were largely fatal to Egyptian self-government. It undermined the responsibility of the

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Egyptians for keeping order in their own capital, and it enabled them to throw back on Great Britain the burden of everything that was unpopular or corrupt in their own administration.

No one who kept his eyes open can have visited Egypt in recent years without seeing these two causes disastrously at work. Nothing was easier for Egyptian Ministers than to shirk the unpopular business of keeping agitators and turbulent students in order on the ground that the British were there and that, if they insisted on being there, it was for them to deal with the disturbances that their presence was said to provoke. Nothing, on the other hand, was easier for the agitators than to assert that, if the British were not there, they would make short work of the abuses and corruptions which they alleged against their own Government. In this way we have more and more in recent years come to bear the sins of all parties, the governing party washing its hands of responsibility, and its opponents asserting that we were throwing our shield over arbitrary personages whom, but for our presence, it would not have tolerated for a week.

No settlement was possible unless this situation was somehow wound up. The method proposed at length gives reality to the idea that the British force in Egypt is not an army of occupation but an army for the guarding of imperial communications, stationed for the most part, as such an army should be, in the Canal Zone and not in Cairo. At the same time it gives effect to another idea, which has sprung to life since the negotiations of 1930, namely, that the defence of Egypt against foreign aggression should be the joint responsibility of British and Egyptians working together as friendly allies. This joint defence of the frontiers, to which the provision of a powerful British air force is recognised as essential, along with the development of an Egyptian army accepting the services of a British military mission and trained in unity with the British force, is now the object aimed at. With the new roads

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and railways projected and the mechanical transport with which the joint force will be provided, there should be no question of its availability at any point threatened.

Here the guiding principle is that a friendly Egypt is not merely a political *desideratum* but a military asset of the highest value. In proportion as we can rely on a friendly Egypt we may look to the Egyptians to relieve us of having to carry single-handed the burden of defending their country and the Sudan—a burden which, as world affairs are now shaping, is likely to be an increasing one and full of dangerous complications if in an emergency they proved hostile or unfriendly. The solution is undoubtedly the right one, but to carry it out will need forbearance and wisdom on both sides. To provide the necessary accommodation for the British force in the Canal Zone must at best be a gradual and somewhat expensive process, offering numerous opportunities for critics and obstructionists. Finance is a large part of this problem, and, if the new Egyptian régime is not to be started with greater commitments than it can carry, British help and British credit will be needed to tide over the transition stage, at least to the extent provided in the settlement. The problem must be conceived not merely as an Egyptian one but as part of the military reorganisation joining up Palestine with Egypt, through the Canal Zone, which has become a British imperial necessity. Egypt undoubtedly has an immense interest in it, but there are also specific British interests for which the British people must bear their share.

Some anxiety has been caused by the fact that under Article 8 of the Treaty the British Government is committed in twenty years to accept the decision of the League of Nations, of which Egypt is now to be a member, as to the ability of the Egyptian army to "secure by its own resources the liberty and entire security of navigation of the Canal". This, however, should be related to Article 7, which is permanent and which provides that "in the event of war, imminent menace of war, or apprehended international

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emergency" the King of Egypt will furnish on Egyptian territory "all the facilities and assistance in his power, including the use of his ports, aerodromes and means of communication."

The settlement of the Sudan question in Article 11 will be a relief to those who have studied the juristic side of this question, and have in consequence followed with some uneasiness the casuistry which in recent years has been developed to justify the extrusion of Egypt from the Sudan. The Anglo-Egyptian Condominium of 1899 now becomes the accepted basis; the Governor General is to be appointed as before by the King of Egypt but "on the recommendation of the British Government"; that Government agrees to the return of Egyptian troops to the Sudan and to the removal of the restrictions on Egyptian immigration into the country "except for reasons of public order and health."

It is not likely that these provisions will make much immediate difference to the Sudan. Egyptians have shown little desire to take up their residence in that country and, although at the beginning applications for appointments may flow in, not many Egyptians are likely to seek a permanent career there. But, in addition to the permanent interest they have always had in the control of the upper waters of the Nile and the suppression of Dervish fanaticism across their southern boundary, Egyptians now have to contemplate the possibility—let us hope remote—of other invaders approaching Egypt in this way. Here again a friendly Egypt is all important. While the country was in a state of disaffection, it was natural that the British authorities should object to the presence of Egyptian battalions, whose allegiance they could not trust. They had warnings on that subject in 1924 which could not be ignored. But a friendly Egypt, equally concerned with us to guard against invasion by this road, opens up an entirely different prospect. To bring home to Egyptians their responsibility, to welcome the aid of an Egyptian

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force and to make it as efficient as possible now become positive aims of British policy, and the right way of relieving the British taxpayer, who would otherwise have to bear the whole burden in case of emergency.

There remains the question of the capitulations, in which not we alone but most other European Powers are interested. On this we can do no more than promise to "collaborate actively with the Egyptian Government" in giving effect to the arrangements provisionally set out in the Treaty for their abolition. It is improbable that any of the Powers will incur the unpopularity of vetoing their abolition, but a good deal of hard bargaining may be expected. The Egyptians are a shrewd people and, provided the jurisdiction of the Consular Courts is abolished, they are unlikely to press for large and sudden changes which would alarm the foreign traders with whose activities their own prosperity is bound up. But there is another extremely important aspect of this subject. Greater freedom to tax foreigners is essential to Egyptian Governments, if only because the excessive immunity which they enjoy under the capitulations acts as a bar on the taxation of Egyptians. All administrations, British or Egyptian, have shrunk from taxing Egyptians to a greater extent than they are permitted to tax foreigners, with the result that for a comparatively rich country Egypt has been starved of revenue, and her education, social and sanitary services are deplorably backward. Year by year she has to cut her coat to a limited and quite inadequate amount of cloth. A certain lethargy on the subject of the capitulations has been observed among wealthy Egyptians, who are aware that the capitulations act as a shelter against taxation for them as well as for the foreigners, but this is a motive that can scarcely be avowed in the present state of popular feeling.

Finance will in any case be a severe test of popular government in Egypt. The Administration will need more money, but it must learn to administer wisely and for the present frugally. Nothing is more likely to bring

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disaster than the pouring out of money for political objects or the multiplication of sinecures for nepotism or political jobbery. The enormous civil list and other outpourings of public money which have accompanied palace rule ought to be curtailed; a competent audit department is an absolute necessity. In the long régime of British "financial advisers" the Egyptian people have been kept far too much in leading strings in this department, and there is a danger that they will sin in ignorance rather than from deliberate perversity. They have competent and honest financiers in their political parties; it is to be hoped that they will learn to use them and give them the same kind of independence that we give to our Treasury officials. Those of them who are students of institutions would do well to inform themselves of the restrictions in the field of finance that the British House of Commons has voluntarily placed upon itself. All European experience is proving that these are absolutely necessary to prevent the periodical financial crises which are so dangerous to European democracies.

Egypt is determined to make her own democratic experiment and it is wisdom not to stand in her way. The Prime Minister is working under the 1923 constitution which earned the unhappily worded animadversions of Sir Samuel Hoare in November last year. It is his choice and that of his party and entirely within their competence. But no offence can be taken if British well-wishers point out that Egyptians are starting on this course at a time when a large part of Europe is in retreat from it, and that they may have something to learn—if only in what to avoid—from European experience. Broadly speaking, the failure of European parliaments and democracies has been for two chief reasons, first that these were unequal to the elementary part of their business, which consisted in keeping order and protecting their citizens, next that their political parties were rent by such schisms and feuds as to be unable to give any Government the support necessary for it to hold its own in a parliamentary assembly. A certain competence in

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administration and a certain moderation in politics are, as we are learning, the necessary conditions of a successful democracy. For majorities to be content with such policies as can be made to prevail by argument and suasion, and for minorities to submit until such time as they can make their views prevail with the electorate—these are the essentials of parliamentary government, and they must be observed in the East as in the West.

IV. THE NEW SITUATION

THE one thing to be avoided is the idea that, the Treaty having been signed, we can wash our hands of Egypt and leave the sequel to work itself out. On the contrary, the Treaty creates a situation in which the best brains and constant co-operation of both parties will be necessary for at least the transition period and very desirable afterwards. Egyptians have both the advantages and disadvantages of the fact that their country lies across the great highway from Europe to the East. That has added to their wealth and importance and brought them nearer to Europe in thought and culture than any other Eastern country. But it compels them to find a powerful friend in Europe and for that purpose to accept conditions which can only with great tact and forbearance on both sides be squared with their claim to be sovereign and independent. Intelligent Egyptians are well aware that if Great Britain withdrew from their country another European Power would quite certainly take her place, and recent events have been a sharp challenge to them to consider whether there is any other Power which, judged by its own practice and traditions, would be more likely than Great Britain to respect their independence and favour their aspirations to democratic self-government. It is one of the encouraging features of the situation that in spite of the friction and misunderstanding of the last twenty years the answer to that question was overwhelmingly in our favour, when it

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came to the point. If Great Britain was often slow and tactless, Egyptians felt that her traditions were traditions of freedom, and that she was far more likely to keep within the boundaries fixed by a treaty than any Power that was likely to bid for the succession, if she withdrew.

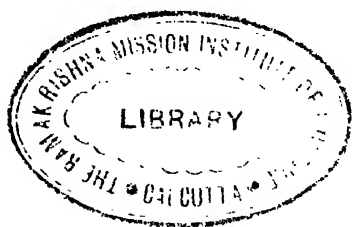
Good-will and friendliness between Egyptians and British residents in their country have survived all the friction of recent years and should greatly help to the smooth working of the new order. The two peoples have much in common. Both have short memories for political grievances and a natural good humour which is not easily quenched. Great Britain may have a giant's strength but she has shown in her history that she knows how not to use it like a giant. If a free partnership is possible in the inevitably unequal terms that are inherent in the situation, it should be with her. But it will not be enough for her to man her Embassy with officials recruited from the Middle East or the Far East as if experience in those regions were a qualification for dealing with the problems of Egypt. The relations with a young sovereign who assumes responsibility at the early age of 17 will need careful handling, if we are to avoid the suspicion that we are trying to circumvent popular government by way of the Palace. Egypt is not in the ordinary sense an Eastern country, she is her own peculiar blend of East and West. The men she needs are men with political brains and parliamentary experience who will be in constant touch with the different Egyptian parties and so act that their advice will be welcomed as that of a wise friend and not resented as the intrusion of a superior Power. The word "adviser", so familiar in the terminology of Egyptian administration, needs to be revived and given its literal and genuine meaning.

The problem for both parties is to keep at a distance all the possibilities—breakdown of administration, disorder threatening foreigners, insolvency—that might compel British intervention. It can be solved if British and Egyptians keep contact in a friendly spirit, but it will not

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be solved by a frigid neutrality on our part, as of a spectator who has predicted disaster and waits for his prophecy to come true. Our desire to let Egypt be governed by Egyptians is genuine and honest, but the neutrality that watches over the boundary between what belongs to them and what is reserved for us must be benevolent and watchful. The large foreign population will still look to us to guarantee their security and to act as the principal arbiter between them and Egyptian Governments, and the latter must be willing to accept us as counsellors and advisers on that subject.

The problem is a unique one, and it is a challenge to both parties to make workable by custom and usage a new form of institutions, in which an inner sphere of self-government is reconciled with an outer sphere of external policy. Great Britain must be predominant in the latter, and it is in the interests of Egypt that she should be, but only by custom and usage can the boundaries between the two be firmly planted. With her habit of adjusting herself to circumstances and meeting emergencies as they come Great Britain has solved many problems which have defeated her neighbours whose methods are less flexible; but she must realise that if the Egyptian Treaty is the end of one dispensation it is the beginning of another, which will call for patience, watchfulness and good sense in both the partners to it.



NATIONALISM IN FRENCH CANADA

I. THE OVERTHROW OF MR. TASCHEREAU

IN Canada the economic depression is lifting, but its political effects continue. The world crisis started political movements which show no signs of disappearing with the advent of better times. Social Credit is entrenching itself in Alberta and is spreading into neighbouring provinces; Mr. Woodsworth's socialist party, the Co-operative Commonwealth Federation, has maintained its national organisation; for the first time, in Manitoba, a Communist has been elected to a Canadian legislature. Mr. Stevens' Reconstruction party alone of the new groups seems to have ceased its activities. All these recent movements, however, have left the French-Canadians untouched. Sheltered from English-Canadian thought by the barrier of language, educated apart in their Catholic schools and universities, they have sought for solutions of their difficulties in a way quite different from their English fellow countrymen. Whereas falling wages and unemployment made the English-Canadian turn his thoughts to economic change, they caused the French-Canadian to turn to nationalism. The political consequences are now beginning to make themselves felt. A new party, the *Union Nationale*, is in power in Quebec, and there is on foot in the province a nationalist movement that in its more extreme manifestations is vociferously secessionist.

For the first five years of the depression there was little in Quebec provincial politics to indicate what direction the underlying movements of opinion would take. The mass of the population, trained to a Catholic view of life, were at

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first inclined to accept unemployment, low wages and low prices much as they would accept a hard winter or a bad harvest. Pastoral letters from the bishops urged patience and warned against the dangers of radical thought. The provincial Liberal party had been in office since 1897; under the leadership of Mr. Taschereau, who had been Premier since 1920, it had become so rooted in every corner of the province that it seemed inconceivable that it might be overthrown. When a certain Maurice Duplessis took over the leadership of the Conservative Opposition in 1933 he could control but 11 members in a house of 90. In the autumn of 1934, however, there emerged a new man and a new party. Paul Gouin, son of the former Premier Sir Lomer Gouin, gathered round him a group of younger Liberals dissatisfied with the Government's do-nothing policy, and formed the *Alliance Libérale Nationale*. It announced that it had two aims: the overthrow of the Taschereau régime, and the reconstruction of the economic and social life of the province in accordance with the needs of the French-Canadian masses. It met with success from the start. The discontented elements, particularly amongst the younger professional and business men, were looking for just such a rallying point, and flocked to the new standard. By an astute move Mr. Gouin made an agreement with Mr. Duplessis and the Conservatives just before the elections of 1935, so that all the anti-Government forces were united. When the results of that vote were made known it was found that Mr. Taschereau had but 48 seats against an Opposition of 42. For the first time in forty years, Quebec was on the march.

Events from that moment moved quickly to a climax. The subsequent parliamentary session was hectic and brief. Mr. Duplessis, who remained as Opposition leader in the House, succeeded in unearthing a series of political scandals by the simple method of forcing the Public Accounts to account—something that apparently had not been done in Quebec for years, save in a formal manner. For persons

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interested in the ethics of North American politics, the details make instructive reading. Mr. Taschereau was forced to resign, and in a last-minute effort to save his party he handed over the leadership to Mr. Godbout, one of the best of his younger Ministers. But repentance had come too late. New elections were held in August 1936, and not even a break between the two new leaders, which caused Mr. Gouin temporarily to retire from politics, could stem the flood. Mr. Duplessis, with a party re-named the *Union Nationale* after the split with Mr. Gouin, was returned with a majority of 76 to 14.

Superficially the overthrow of the Liberal party may appear as the familiar collapse of a long-established Government which has had the bad fortune to meet an economic crisis. Actually, however, it is due in large part to the development of the nationalist spirit, which made the election an event of much deeper significance than a mere party contest. The causes and nature of this new nationalism, and the forms that it is now taking, can only be understood when seen as part of the recent history of the relations between the French and English in Canada.

II. VISION OF LAURENTIA

BEFORE Confederation the French-Canadians, having been conceded their religion and their civil law, struggled principally for three constitutional rights—responsible government, representation by population, and the recognition of French as an official language. These were all accorded in the British North America Act, and a number of additional minority guarantees were added. Since that date the population of Quebec has had the fullest political liberty. The provincial power to control such matters as religion, education, property and civil rights has meant that the French-Canadian may determine his own development in the province in his own way. The English minority in Quebec never has more than four or five seats in the

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legislature, and has no guaranteed right to any. Outside Quebec the French minority has a right, varying somewhat in different provinces, to its separate Catholic schools, and the French language is official for proceedings in the Dominion Parliament and in Dominion courts. Two judges out of six in the Canadian Supreme Court are always French, and Quebec is guaranteed a certain representation in the Dominion Senate and House of Commons. As the French-Canadians grow in number in the other provinces (there are now some 700,000 in the rest of Canada) their influence naturally increases. It is next to impossible to-day for any Canadian Government to carry through a policy to which the French-Canadians are unitedly opposed. For these various reasons the Confederation agreement has always been considered by the bulk of Canadians as having placed minority rights on a secure and ample foundation. Such racial conflicts as have arisen have never seriously threatened the bases of Confederation. Sir Wilfrid Laurier as premier of Canada symbolised the conception of a broad Canadian nationalism unified in political expression but based on a duality of race and culture.

While the bulk of French-Canada accepted this idea, there has long been a minority in Quebec that has pushed the claims of nationalism much farther. Canada's participation in the South African war stirred Henri Bourassa in 1900 to form the *Ligue Nationaliste*. The League attacked the concept of a closely united Empire, opposed British immigration to Canada, and sought a greater control over the English commercial corporations in Quebec, but did not advocate secession. In 1911 no less than 25 Nationalists were elected to the federal House of Commons. This movement subsided, to revive in a new form through the stimulus of Canada's entrance into the world war. Seldom has racial feeling run higher in Canada than during the attempt to enforce the Conscription Act of 1917 in Quebec; for the French-Canadian had not sufficient love for the England that had conquered him, or the France that had

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turned anti-clerical, to feel that their quarrels in Europe were his concern. In that year Mr. Francoeur introduced into the Legislative Assembly a resolution to the effect that Quebec would accept the breaking of the Confederation pact if the other provinces felt she was a hindrance to the development of Canada. Though withdrawn without a vote, the motion crystallised an attitude. From that moment secession became openly a part of nationalist thinking. In the same year a new organisation with a newspaper, the *Action Française*, was founded to carry on educational work along nationalist lines; from its activities have come the bilingual postage stamps and currency in Canada, the celebration of St. John the Baptist's day as a provincial holiday, and the growth of a number of French patriotic societies and youth movements. Its guiding spirit was the Abbé Lionel Groulx, who is still the most powerful influence amongst the nationalists to-day. Writing in 1922, one member of this group, Father Villeneuve, now Cardinal Villeneuve, said :

We are not hurrying toward separation. We watch it coming, for it is coming toward us. . . . That a French Catholic state can during this century arise in the St. Lawrence Valley is no longer in the minds of many a pure Utopia but an ideal worthy of ambition.

These words have become the semi-official text on which the present secessionist movement bases its propaganda.

During the era of post-war prosperity the nationalists ceased their talk of separation and concentrated on the lesser issues. They coined the term *refrancisation*, to indicate the constant fight for the elimination from French-Canadian culture, institutions and language of every element of English or American origin. Their influence penetrated into many quarters, though their actual numbers were not great. Then came the economic depression. Nationalism received a fresh stimulus, this time much greater than that given by the South African war or the world war. Not only was there renewed talk of war in

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Europe, which enabled the leaders to evoke the isolationist sentiment in the population in anticipation of another conflict in which they might be called on to take part. There were in addition two new circumstances to add fuel to the nationalist fire. One was the growth of communism, which, though it has little strength in Quebec, has a small but active following in Ontario and the West. Nationalism is seen by the Quebec authorities, both lay and clerical, as a useful counteracting force to the threatening danger from communist propaganda. The other stimulant was the fact that the natural resources and wealth of the province of Quebec, the water-power, forests, mines, large industries and financial institutions, had come to be almost entirely owned and controlled by English-Canadian and American capital. French-Canadians provide the cheap labour while the English and Americans reap the large profits—and how low those wages are the recent governmental enquiries have startlingly shown. The importance of this economic control was but dimly perceived until the depression taught the public to examine the economic system under which they live.

It is this question of English economic domination that gives the nationalist movement in Quebec its particular form and strength at the present time. In the English parts of Canada the growing popular suspicion and dislike of the big trusts and monopolies that exploit so much of the country's financial and industrial life have given rise to the new radical parties. In French-Canada the same dislike has become allied with the nationalist sentiment. The principal complaint against the Taschereau régime was that it was in hand and glove with the English trusts in Quebec. *Refrancisation* in economic terms means recapturing for French-Canada the control of the sources of wealth that are now in non-French hands. It means a steady policy of lifting the French-Canadian out of his inferior position as hewer of wood and drawer of water for his English masters. As the French have little capital, this can only be done

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through political action. The power of the state, it is supposed, will be used to curb and eventually to destroy the stranglehold of foreign finance. There are elements here of socialism, but it will be the right-wing socialism of a Mussolini rather than the complete socialism of a Stalin. Italian fascism has had a considerable influence on the thinking in Quebec, and every nationalist is a believer in some form of the corporative state.

There are thus a number of strands that make up the new French-Canadian nationalism. Its general programme may be summed up in the words "Quebec for the French-Canadians, both economically and politically". This programme is to be achieved, to use Abbé Groulx's words, "within Confederation if possible, outside if impossible". Even if this policy may involve the abandonment of the French minorities outside Quebec, the price is one that many are willing to pay. The Abbé put the case in simple form when he recently told the *Congrès des Jeunesses Patriotes* that "Quand on ne peut tout sauver, on sauve ce que l'on peut. Et rien ne servirait de périr tous ensemble sous prétexte de s'entraider".

Necessarily the achievement of a French Catholic state will mean a radical change in the English position in Quebec. A wave of anti-English feeling is steadily mounting, and along with attacks on the English have gone some even more virulent forms of anti-semitism. The Jewish population in Montreal is just sufficiently large to give occasion for violent outbreaks of the fascist type, a number of which have already occurred. The nationalist movement is also anti-democratic, for it has been taught to see in parliamentary democracy not only an English institution but also a party system that sets French-Canadian against French-Canadian. It is becoming aggressively opposed to the toleration of any radical speech or activity, however mild. It is a strongly Catholic movement, most of the parish priests and many of the religious orders, particularly the Jesuits, being its chief supporters. At the opening of the new legislature last

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October Cardinal Villeneuve was provided with a special throne in the Council Chamber, to symbolise his equality with the representative of the Crown; the Anglican bishop was merely in attendance. In regard to foreign affairs the nationalists are complete isolationists, even those who do not advocate secession being ardent advocates of a policy of neutrality for Canada *vis-à-vis* both the League and the Commonwealth. On domestic issues they stand for a policy of decentralisation, and oppose all suggestions of amending the British North America Act or of strengthening federal powers in any way.

III. SEPARATISM AND ISOLATIONISM

ANY attempt to estimate the strength of the nationalist forces at the present time is difficult for an English-Canadian to undertake. Obviously different parts of the programme receive different degrees of support. The out-and-out separatists are a small minority even of those who may be called nationalists. Their principal organ is *La Nation* of Quebec, edited by Paul Bouchard, an ex-Rhodes Scholar, but a number of other newspapers openly preach secession. "Laurentia" has already been chosen as the name of the new state. The "long-term" separatists who look for ultimate independence but for the moment are content to work within Confederation are a much larger number. Before the provincial elections of last August several candidates spoke of separatism as an ultimate ideal, but only one, René Chalout, included the plank in his immediate platform. Since the elections, now that the task of defeating the Liberals is complete, the more responsible leaders have been attempting to hold the extreme nationalists in check; Mr. Duplessis has appealed to his followers to respect the tradition of racial toleration, while Mr. Gouin and even the Abbé Groulx have recently urged that the French-Canadians must prepare themselves by study and education before they can hope to occupy the

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position that is rightfully theirs. The movement for economic emancipation from the domination of English capital is undoubtedly extremely widespread and will have important repercussions in the near future. The point on which there is the maximum agreement is the isolationist foreign policy; Canada could not take part in another European conflict at the moment without incurring the serious danger of a civil war.

The immediate economic consequences of Quebec nationalism will probably take the form of an attempt to control more closely certain of the large corporations in the province. The electric power companies are likely to be the first to be dealt with. A new Electricity Commission is in existence with wide powers of investigation and control, and there is strong sentiment in favour of municipal ownership of stations. The chief proponent of public ownership of electric power, Dr. Hamel of Quebec, was excluded from the Duplessis Cabinet, but he has a large following in the party and may yet force the hands of his chief. The chain stores are also under suspicion; for, besides the fact that they are not French in ownership, the nationalists dislike large-scale organisations and lean toward petty industry and independent retail merchandising. In anticipation of new taxes the biggest oil companies have already abandoned the retail field and have handed over their filling stations to independent operators. Co-operative agricultural associations are favoured by the nationalists, but the genuine co-operative spirit may well find itself handicapped by too much state interference.

Independent of legislative action there is growing up a movement for the *achat chez nous*, designed to make the French-Canadians confine their purchases to their own stores. There is also a steady demand that more French-Canadians should be employed in the big English companies and in the Dominion civil services. But it is difficult to see that economic *refrancisation* can go far unless the Quebec legislature is willing to embark upon public

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ownership on a large scale, and it is safe to predict that this will not occur, since the Church will oppose any direct attack on the principle of private property, disliking as it would the confiscation of investments of which it holds itself no inconsiderable share. Certainly the talk of creating a "corporative state", in which many nationalists profess to see their salvation, is unlikely to achieve anything save the destruction of democracy.

From the wider point of view of Dominion politics the nationalist movement in Quebec is of the greatest importance. Canada's allegiance to the principle of collective security, and still more her participation in any schemes of imperial defence, are rendered that much more difficult. Mr. MacKenzie King's non-committal speech at the last League Assembly was received with great approval in the province that supplied him with 54 French Liberals in the last federal elections. French-Canadian opinion supported Italy throughout the Abyssinian incident, just as it sympathises with the Spanish rebels to-day. Any plan to bring in new immigrants to Canada will meet extreme opposition from nationalists who see in the French birth-rate a promise of future domination in the Dominion. Amendments to the British North America Act will be bitterly fought; if the Privy Council does not uphold Mr. Bennett's legislation on the present references from the Canadian Supreme Court, the outlook for a national system of industrial regulation is poor. Finally it is quite possible that the old party alignments will be abandoned in Quebec, and that the *Union Nationale* will enter federal politics. It is the expressed desire of the nationalists that French-Canadians should not be divided amongst themselves but should present a united front to the rest of Canada.

To direct the existing feeling in Quebec into constructive channels will require wise statesmanship from the leaders of both races. Unfortunately there is little evidence of such leadership on either side at the moment. French-Canadian liberalism, in the best sense of that word, is

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temporarily crushed. The voice of the extremist is most frequently heard. Until the clergy are willing to improve the education they give the people, French-Canadians can never hope to possess the technical skill and experience required by modern industry and finance. Yet all attempts to liberalise the education policy of the Catholic School Commission meet with stern opposition from the Church. English-Canadian opinion on its side is only now beginning to awake from the indifference with which it usually treats the movements of thought in Quebec. The English commercial interests, by opposing much needed social legislation, have added to the subjection of the workers and stimulated the very spirit from which they will be the first to suffer. Undoubtedly a prolonged revival of prosperity would ease the present situation, but the momentum already acquired will carry the nationalist movement far before it declines.

INDIA MAKES UP ITS MIND

I. SOUTH AFRICAN CONTACTS

ONE of the chief incidents of the past months has been the visit of the South African Delegation to India. This has been described as a "Goodwill Delegation," and it came with no specific problems to discuss or settle. Primarily its purpose was to give a representative section of South African public men and officials some insight into the nature and circumstances of the great country which at one remove provides South Africa with one of its most difficult problems. The deputation comprised representatives of the chief South African political parties and a number of officials, particularly those connected with Indian immigration matters. Their strenuous tour took them practically only to provincial headquarters, although two Indian States were also visited. It is one of the difficulties of such tours that, since one large city is not very unlike another, real variety is apt to be masked, and change of scene, when obtained by dint of 1,000-mile railway journeys, to vanish in a tepid monotony.

It has been generally realised that the visit was a good step, and practically all shades of Indian opinion have united in welcoming the Delegation. The leader of the Congress party in the Assembly held a reception for them, and members of the party accepted invitations to semi-public functions in their honour. The speeches of the leader of the Delegation have been generally praised, and Mr. J. H. Hofmeyr may be said to have added to his stature both as a statesman and as an orator by his visit to India. His position was not easy; there have been and are too many points of difference between India and South Africa to make it anything but delicate, while the wide range of

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viewpoints within his own Delegation must at times have complicated his task. He acquitted himself admirably, and succeeded to an unusual degree in combining tact and frankness, a combination difficult to achieve but singularly refreshing when achieved. He made skilful use of the parallels between the two countries as well as the differences, for example that he, like Indian politicians, was making his speeches in a language not his mother-tongue, and that a substantial portion of present South African legislators or office-holders had seen the inside of gaol or been actual rebels.

South Africa is new and remote; India is ancient and near the hub of the modern world, a hub that could be said to be moving steadily eastward from its former location in Europe. Both countries are self-conscious, but the self-consciousness of lusty youth is different from that of ancient dignity. "What do they know of India who only Africa know?" There is a feeling in India that the South Africans are too ready to conclude that India is, as it were, a coolie country. If so, this visit must have helped considerably to change that outlook. One suspects that the features which the Delegation on their return will find most prominent in their recollection will be not so much the dimensions of the country—after all South Africa is a country that thinks in distances—nor even its diversity, for South Africa has as intimate a consciousness of diversity as any other country in the world, but the density of its population, the magnificence of its scenery, and the trying nature of its climate in the between-monsoon period—over a great part of the country the most unpleasant time of the year. They will have an impression, too, of the age and power of the Indian civilisation, and may realise better that the Indians in South Africa, though in perhaps an inarticulate way, do represent something in the culture of the world.

The Delegation came to build up ties of understanding and to observe, and anyone who has the interests of both

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the countries at heart must hope devoutly that true observation was not buried under hospitality; for in matters of the sort eternally at issue between South Africa and India mutual knowledge is a great, if not the only solvent. India will always respond to a "gentleman's agreement." It is precisely because in the past she feels she has not been treated as a gentleman that she has resented the South African position.

Indo-South African relations offer an example of a class of problem that is bound to grow more acute; for in essence it is the same as that presented by the contrast between, say, Australian emptiness and Japanese surplus. The Indian is a better colonist than the Japanese; for like the Englishman, or at least like the Englishman of former decades, he takes his own world with him and sets it down in his new surroundings. In that translated world he is content to live and work without pining unduly for the land he left behind him. He is, in addition, frugal. His homeland is undoubtedly crowded, and Dominion India of the near future will question increasingly the exclusion of Indian emigrants from countries suitable for them. In one way or another, this problem is presenting itself all over the eastern and southern seas, not only, although predominantly, in parts of the Commonwealth. It is almost a chronic sore in Africa, it is coming into prominence in Ceylon and Malaya, it is perennial in Fiji, and recently it cropped up in a limited form in French Indo-China. India offers an enormous market, one of the best in the world, and the signs of the future are that access to this market will tend to be governed by the treatment accorded to Indians in other countries.

II. THE VICEROY'S ADDRESS

HIS Excellency gave his first address to both Houses of the Indian Legislature on September 21, 1936. The Congress party absented themselves *en bloc*. It might be

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hazarded that not all Congressmen approved of this abstention; some indeed were rather ashamed of it. The action is significant in two ways, as illustrating, first, the discipline which the Congress have been able to work up in their legislative representatives, and, secondly, the determination of the guiding spirits behind the Congress to widen the gulf between them and the Government in India, or, perhaps one might better say, to prevent any narrowing of that gulf.

The speech itself took a different line from most of those made on similar occasions in the past, in that it was less a catalogue of achievements than a general reflection on the position of India to-day and the main problems impending. I am taking all possible steps to expedite the investigation and disposal of those problems (*i.e.* bearing on the inauguration of federation). . . . The question is receiving day by day my own close personal attention.

A pregnant reflection that might well awake echoes elsewhere was :

I am moved on occasions to ask myself . . . whether we are not in some danger of finding ourselves so engrossed in the multifarious details of the plan as to lose sight of the essential outlines of the structure and, at times, even of the splendid vision that has moved and inspired its inception. In truth the moment has come for a due appraisal of the fabric as a whole.

The Viceroy went on to compare the position in India with the "dark and ominous background of contemporary world events". In Europe dictatorships were arising on all hands and civil war was rending an ancient and proud country. The world in one way or another was witnessing the "recrudescence of the rule of force". India was attempting to extend the realm of the rule of persuasion, and, whether this great effort were to fail or not, it would be to Great Britain's abiding credit that it was attempted.

Commenting on the formation or development of political parties in India, a point which has been dwelt on more than once before, Lord Linlithgow remarked that "it was easy to overestimate the power of the party manager

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to influence the course of party evolution and to fall into the capital error of forgetting that in these matters it is the electorate that shapes parties as well as policies". Perhaps the wish here was father to the thought. India now and for a long time to come will continue to offer great scope for the party leader in the sense of a man who can touch imagination and hearts, and even for the mere spellbinder. Like all countries accustomed to authoritarian government, India likes leaders who can lead; her trouble is that too few such men appear. For electorates to shape parties in the real sense of the word, they must think as well as feel. If they only feel, then they are ripe for the leader who can play on them, and it is he rather than they who will do the shaping. The enlarged Indian electorates of the immediate future are likely, if a real leader emerges, to offer him the following of every leader's dream, one that will not reason why but merely follow.

Nothing could be more in the interests of India than the emergence of real parties; for the survival of democratic government at all could reasonably be held to depend on the survival of a party system. It is one of the chief arguments for political reforms in India that they may enable such a system to develop before it is too late. Possibly some such feeling is behind the urge for an early achievement of federated India; but the first effect of the changes can hardly fail to be to offer great opportunities to individuals who have the power of moving an uncritical mass.

Comments on the Viceroy's address to the Legislature were united in admitting the sincerity of the speech but divided on its implicit approval of the new constitutional scheme. One paper even compared the present régime with that of Curzon, and found, strangely enough, a real concern for Indian as opposed to Imperial interests to be a characteristic of the earlier régime rather than of the later. There is something in this criticism, but in a way the deprecated change is a reflection of a shrinking world.

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The criticisms of the new constitution prompted by His Excellency's speech offer nothing that has not been retailed at length, and frequently, in the last three years.

III. CONGRESS DEVELOPMENTS

A GOOD deal of interest attached to the manifesto adopted by the All-India Congress Committee towards the end of August. It contained nothing new, however, unless a certain added emphasis on such points as the "poverty-stricken masses of to-day are in the grip of abject poverty and destitution", or "relief to the smaller peasantry by a substantial reduction of the agricultural rent and revenue now paid by them and exempting the uneconomic holdings from the payment of rent and revenue", can be taken as indicating the influence of the present President. The Congress "offers that joint national front which comprises all classes and communities bound together by their desire to free India and end the exploitation of her people. . . ." This is quite true. It is at once the explanation and justification of the Congress that it has served as the vehicle for the urge to Indian autonomy or independence. Once a serious degree of autonomy or independence is reached, the Congress is likely to find matters—and itself—changed.

The object of entry into the legislatures is declared to be not to co-operate in any way with the Act, but to combat it and seek the end of it . . . to carry out . . . the Congress policy of the rejection of the Act and resist British Imperialism.

The manifesto declares that Congress realises that independence cannot be achieved through these legislatures, nor can problems of poverty and unemployment be effectively tackled by them. Undoubtedly, however, the Congress is well aware of the degree to which the future legislatures will be usable towards nationalist ends. True leaders do not lose sight of the fact that the central legislatures of the future will be elected mainly by the provincial

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bodies; thus control of the central legislatures is a reflection of control in the provinces, and a single caucus may guide both the provincial and the federal outlook. The drive for a speedy realisation of federation heightens the importance of this aspect.

The acceptance of office was postponed for decision "after the elections", with the rider that in any event the Congress stood for the rejection of the Act. The leaders are wise in adopting this attitude. It may be taken as reasonably certain that where the Congress secures a clear majority it will take office and use it to the utmost. It is unlikely to take office without a positive majority. Where it does not actually take office, it will function as a constant and intransigent Opposition, and we may quite possibly see Congress Ministries in one province more or less working the new Act while Congress Oppositions in another work against it. Such a spectacle need not arouse surprise or consternation. Political developments are rarely instantaneous, and inconsistencies of this kind will really be illustrations of the passage from the freedom of criticism to the responsibilities of government, in fact towards the emergence of real parties. Their emergence is of great importance for the future of India and may decide the form its government will take. It is, however, a characteristic of human beings to be often unaware of developments in or around them, even of the most vital importance; thus a large section of the Indian political world have apparently no idea of the real nature of the changes they are witnessing or even assisting.

As an indication of the differing opinions on this topic one may quote an interesting comment from the *Hindu*, the chief English nationalist paper in the South and perhaps the best in the country, which declares pointedly that the Congress by accepting office would be acting in conformity with the known wishes of the electorate. . . . If to-day there is a dispute in the Congress ranks on this matter, that is due to the fears that the powers transferred to the electorate and its representatives will be merely illusory. It is up to the powers that

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be to demonstrate that these fears are unfounded. It is equally the duty of the great national organisation . . . not to interpose needless obstacles in the Congress atmosphere of mutual toleration.

The last phrase is significant and from it the paper goes on to deprecate the decision of the Congress party in the Assembly to absent themselves when the Viceroy addressed the Legislature.

So deep have differences gone that leaders have expressed their differences publicly and categorically on the platform. Thus in a speech at Madras Pandit Nehru declared that

so far as Congress is concerned, it is going to do everything to wreck, destroy and uproot the new constitution. The forcing of the new constitution despite the unanimous disapproval of India will mean an invitation to revolt. It would be a fatal error for the Congress to accept office. That inevitably would involve co-operation with British imperialism.

This is in piquant but significant contrast with the statement issued to the press by Mr. Satyamurti to the effect that for Congressmen not to accept office in the provinces, were they to get a majority, would be directly playing into the hands of British imperialism and its worst allies in the country, namely, communalists and reactionaries. "In saying this, I believe that I represent the vast majority of the Congress opinion in the province."

The contradiction is complete. The almost habitual over-emphasis of Congress statements makes caution in interpretation advisable, but it might be said with little hesitation that Mr. Satyamurti shows the greater appreciation of realities. The Pandit is to a large extent in the hands of theory, a weakness that tends to become more pronounced. His rival, on the other hand, has his gaze fixed on the actual facts of government in the future, and, perhaps because of his experience in legislatures, he realises that whatever the doctrinaires may say the momentum of a going concern is difficult to arrest, and what should therefore be aimed at is to get behind that momentum in order to direct it.

CONGRESS DEVELOPMENTS

There has been a good deal of speculation over the succession to Jawahar Lal Nehru as President of the Congress. His short term ends with this year. Suggestions, sponsored it is said by Mr. Gandhi, have been made in favour of a three-year tenure for Presidents, beginning with the Pandit. These met with strong opposition from various quarters. Congress on the whole is still attached to its yearly succession of Presidents, and perhaps unconsciously subscribes to Rousseau's dictum that the only moment of freedom is when the voter is recording his vote. Those who have observed Congress at work and the markedly authoritarian tinge its leaders so readily assume, particularly under the present régime, will wonder neither at the proposal for extension nor at the opposing reaction on the part of all in Congress who retain what might be termed the liberal outlook. These last, however, are a diminishing element both in numbers and in weight, and are to be found mostly among the older men. There is a fascist urge observable in Congress—also a socialist urge. The most interesting political speculation of to-day is how the two will mingle.

Presuming a fresh election, a strong candidate will probably be Abdul Ghafar Khan. It is said that he can command large socialist support because of his opposition to entry into office. There is no doubt that his election will be popular and appreciated, and if he chooses to run it seems certain that he will be elected. The fact that he is a Moslem is much in his favour; for Congress, a predominantly Hindu body, is keenly alive to the advantage of emphasising its Moslem appeal.

The socialist objection to acceptance of office is probably based on a fear that the Congress party in provincial office would be Amurath succeeding Amurath. When the franchise is still further widened and the growing industrial proletariat in India commands its block of votes, this attitude will probably be found to have weakened. Such a weakening can already be detected in Bengal, but the

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probabilities are that the socialists' distrust of a party they still regard as a propertied, essentially bourgeois organisation will continue at any rate till suspicions or fears have been tested by events.

IV. PREPARING FOR THE ELECTIONS

“THE dogs bark but the caravan moves on.” There is a constant yapping about the acceptance of office, but the Congress goes steadily ahead with its electoral preparations. Once again it is the South that leads in political acumen and preparation; in both the southern Presidencies the Congress electoral organisation has reached a high standard. A foretaste of this was given in the last Assembly elections in Madras, when the Justice party were not only defeated but routed. Bombay has taken a leaf out of the Madras book, and local committees cover every electoral area. They follow the practice in England, where parties take steps to put newcomers or others on the rolls, and few will escape the Congress net if the present pressure continues.

The latest Bombay indications of an electorate much in excess of expectations show how well the work has been done. The number of women brought on to the roll is particularly impressive, and the New India may well reflect to a greater extent than was anticipated—or than is welcome—the influence and ideas of the more extreme sex.

Apart from the actual more or less mechanical matter of getting names, the Bombay provincial committees have been asked to survey their territory constituency by constituency, report on the temper of the people, discuss the chances of Congress success in respect of each seat, and draw up an exhaustive general report of the election prospects. This sounds almost excessively ambitious, but it shows the correct political perspective. The idea is, after weighing up the characteristics of the constituency or the electorate, to choose the candidate best suited for it.

PREPARING FOR THE ELECTIONS

Where personality and bluff are indicated, an endeavour will be made to supply them. In fact a real political caucus is in process of formation. Dr. Subbarayan, a former Minister of Madras and now one of its Congress leaders, is of the opinion that the Congress will secure a majority in five provinces, including the two southern Presidencies and the Central Provinces. His prediction is probably correct as regards Madras and the Central Provinces, possibly also as regards Bombay.

The whole point about the acceptance of office issue is that it will fall, when the time comes, like a ripe fruit. Some of the unceasing controversy is in the nature of a smoke screen to conceal a timely withdrawal from a former position. It may even be that the chief protagonists have actually been put up for the purpose. It is impossible to believe that after all the intensive electoral work to capture the legislatures the logical corollary of office acceptance will not ensue. Men who can refuse power are indeed rare, and although the Congress may, and indeed does, contain one or two, it does not contain any more than an average body of men—certainly not enough to prevent the constitution's being taken and worked.

It is important to realise, however, that working the constitution does not necessarily, or indeed at all, imply working it on British lines or on accepted lines. It is practically certain that the constitution will be worked, but it is equally certain that a determined attempt will be made to work it on purely Indian lines, which may be as displeasing as they are surprising to its British originators.

The approach of the elections has inevitably brought forward the famous Poona Pact from the region of theory to one of fact. The difficulties inherent in its complicated procedure are realisable to some extent merely from perusal, but its actual efficacy, or, as the cynics would say, the extent to which it will disappoint the hopes of its framers, can only be determined by the actual test of elections. No paper scheme can give life; at the most it can only direct

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or possibly constrain; it is precisely the problem of the depressed classes that politically speaking they have not yet become alive. Their unity has never, as a political fact, been notably stable or even achieved, and for all the great efforts of Dr. Ambedkar and others this section of the population is dumb and to a large degree uninterested in the theories of its so-called leaders.

One should understand the peculiar connotation of the word "leader" in this country. It is not necessary to have a following before you become a leader; in fact there have been movements in India which consisted entirely of leaders. In a country of developing political consciousness, this is not unnatural, for every movement starts from a single brain, will and purpose. In the West, however, we expect to see develop behind the leader a more or less coherent and disciplined mass. The depressed classes in India so far show no signs of such cohesion. Already in Bombay these classes are split into three groups among themselves, and when the elections come the chances are that many if not most of them will vote on lines not laid down by the interests of their class as interpreted by their leaders. In fact, they are ready and ripe to be plucked by the spellbinder or a diligent and persuasive caucus.

V. FEDERATION AHEAD?

THE tempo quickens as the elections approach. By March all the provincial elections will be over, the constitution of the new Houses will be known, the acceptance of office issue will be settled and Ministries either appointed or foreshadowed. Though provincial autonomy takes the forefront of the stage, the quickening tempo has affected also Part II of the Act, and we are witnessing the beginnings of a federation drive. The intention is that special officers will visit the various States in order to discuss the points of difficulty or difference and so accelerate decisions regarding entry. There will be hesitations and even regrets, but the

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detached observer can have only one conclusion, namely, that the number of State units in India that could, if they wanted to, remain outside the federation orbit is small. On the other hand, if this number stood outside, the multitude of lesser States could do so also. It is this circumstance that lends special importance to the attitude of such States as Hyderabad, Mysore and Travancore. The premier Indian State has for long attacked the federation problem with diligence, thoroughness and skill, and has not hesitated to enlist the most expert legal and other aid from the United Kingdom as well as India. The omens are that it will federate, and the others of the major group also. That being so, it may be taken as certain that federation will come. April 1, 1938, may prove on the optimistic side as the commencing date, but is not impossible. A year later seems more likely.

India,

October 22, 1936.

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I. THE BY-ELECTIONS AND AFTER

THOSE who believed that the sweeping victory of the Lord Mayor, Alderman Byrne, in the Dublin municipal elections last June * indicated that Mr. de Valera's power and popularity were on the wane have been sadly disillusioned. The two by-elections that took place in August in Galway and Wexford prove conclusively that he is still the political leader of the Irish Free State and that his seat in the saddle is firmer than ever. In both constituencies the United Ireland (or Cosgrave) party appealed to the clan feeling, so strong in Irish politics, by choosing as candidates close but non-resident relatives of the deceased deputies, and these were opposed by local Fianna Fail politicians. In Galway the United Ireland candidate was Professor James Hogan, professor of history at Cork University College and a brother of Mr. Patrick Hogan, Minister for Agriculture in the Cosgrave Government, whose untimely accidental death had caused the vacancy.† Professor Hogan is a man of great ability and charm with a splendid record of national service, and a scholar of considerable achievement. Both in the Anglo-Irish conflict and in the subsequent civil war he played a conspicuous part. It was his courageous action in August 1934 that led to the resignation of General O'Duffy from the leadership of the United Ireland party.‡ But, like many academic people, his interest lies rather in the theory than in the practice of politics, and he lacks his late brother's realistic grasp of affairs.

* See THE ROUND TABLE, No. 104, September 1936, p. 788, 789.

† See THE ROUND TABLE, No. 104, September 1936, p. 790.

‡ See THE ROUND TABLE, No. 97, December 1934, p. 159.

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Soon after the start of the election campaign it became clear that he had his own views as to the future policy of the United Ireland party, and that he intended to try to outbid Mr. de Valera for Republican support. In an interview, which appeared in the Irish papers on August 7, he declared that Ireland had outgrown the Treaty of 1921, which was merely the jumping-off ground from which we should reach a completely independent and united Ireland. He objected to the declaration of a republic for the Free State alone, on the ground that it would postpone, if it did not make impossible, the realisation of an all-Ireland republic. Partition, he said, was maintained by Great Britain against the spirit, if not against the letter, of the Treaty. He then suggested as an immediate solution that the British Government, whilst allowing Northern Ireland to retain her existing autonomy, should hand over the reserved services and powers to the Free State. The rest, he said, would follow in its own good time. He concluded by suggesting that the British political system was wide enough to contain an Irish republic.

Whatever one's views as to the political wisdom of this declaration, it seems clear that, if made at all, it should only have been made as a statement of party policy by Mr. Cosgrave himself. The effect on the ordinary voter could only be confusing, because if he agreed with Professor Hogan's views it would be better for him to vote for Mr. de Valera's candidate, Mr. Niland, who could put them into practice more effectively, and if he disagreed with them he could not vote at all. Nor was the position clarified by Professor Hogan's further declaration on the eve of the poll that he was prepared to co-operate with the Fianna Fail party against "the ancient enemy England" in the cause of Irish unity, a declaration which Mr. de Valera caustically welcomed as a sign of repentance.

Mr. Cosgrave himself, speaking on July 26 at the party convention that selected Professor Hogan, said that a new

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constitution, no matter how framed, could not remedy the partition of the country, any more than it could be remedied by verbal broadsides delivered by veteran warriors comfortably ensconced in Free State armchairs, a reference that might well have been applied to his own candidate. Mr. de Valera's constitution-mongering policy, he said, was framed for one purpose only—to divert the opinion of the electors from the real issues affecting the people. Mr. de Valera, on the other hand, said at the opening of the election that, if the result indicated that the people wanted a change of Government, then it would be necessary for the Government to have a general election and let them choose. They proposed, he said, to give the country a constitution regulating all the machinery of its internal government, of such a character that if at any time it wanted to declare a republic there would be no necessity to change a single line.

Speaking later at Wexford on August 14, he said that the Government's aim was complete freedom in this country, not for a part of it but for the whole island, and this aim was best expressed by the term republic. There was, he added, a section in the North who were not prepared at present to come into an all-Ireland parliament, no matter what its relations with Great Britain might be. They could not reach their goal unless some method could be found by which they would be able to bring about the unity of the country and get a satisfactory relationship between themselves and Great Britain. In another speech at New Ross on August 14 he offered to set up an impartial commission composed of a leading judge or constitutional lawyer, a professor or student of history, and some person qualified to examine documents, presided over if necessary by a bishop, to inquire into the events leading up to the signing of the Treaty and the outbreak of the civil war. To this offer Mr. Cosgrave replied by saying that the problems of to-day constituted for the people of this country a more important issue than the

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events of fifteen years ago. He might have added that the findings of such a commission, even if unanimous, which would be very unlikely, would not alter or resolve the fundamental differences of approach and mentality out of which the civil war arose.

Mr. Sean T. O'Kelly, who is Minister for Local Government and Vice-President of the Executive Council, innocently contributed to the humour of the hustings by declaring that the Government were out to smash their way out of the British Empire. Mr. O'Kelly, who is not really as ferocious or dangerous as he sounds, does not yet seem to have heard of the Statute of Westminster, or, if he has, no doubt thinks that the electors of Galway have not. On the whole, however, both elections were fought in a spirit of good humour and courtesy creditable to all parties and of vital importance to our ordered political development.

In Wexford the United Ireland party candidate was Captain J. Esmonde, a relative of Sir O. Esmonde, the deceased deputy, and the Fianna Fail candidate was Mr. D. Allen. In both Galway and Wexford the extreme Republican party ran candidates, in Galway the venerable Count Plunkett and in Wexford Mr. S. Hayes. In Wexford the Labour party also ran a candidate. The result in both elections was similar. At Galway Mr. de Valera's candidate secured a majority of 14,022 votes over the combined poll of the other candidates, the Republican polling only 2,696 votes. The United Ireland party poll fell by a thousand votes as compared with the recent by-election in the same constituency. In Wexford the Fianna Fail candidate had a majority of 952 over the other three candidates combined, and a majority of 6,529 over the United Ireland party candidate. Here again the Republican candidate was at the bottom of the poll, with only 1,301 votes.

In a message issued after the election Mr. de Valera said that no one could fail to appreciate the significance

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to be found in his romantic foreign origin, his revolutionary career, and the conviction of sincerity of purpose he undoubtedly conveys. Like Gladstone, he takes an apostolic view of his political mission and is able to impress it on others, but, like Gladstone also, he is thought by his opponents to be actuated by cunning hypocrisy and love of power rather than divine inspiration. His approach to political problems, it must be confessed, is mathematical rather than human. Moreover, he has few confidants and fewer advisers. He keeps himself aloof and somewhat remote from the rank and file of his followers, to whom he assumes the rôle of oracle rather than adviser, and some of whom he clearly, and perhaps naturally, rather tolerates than admires. To them he is known as the "Chief", a word that has deep roots and implications in Irish social and political history. But he realises quite well that his position is not that of a dictator, and that it must be based on affection rather than bayonets.

The most valuable result of the by-elections is that they show that the people strongly approve of his tardy decision to deal firmly with the so-called Irish Republican Army, the militant wing of the extreme Republican organisation. In his last speech during the Galway election he said that he wanted to speak on something that was more important than any other issue, direct or indirect, at stake in the election, the fundamental question whether they wanted ordered, peaceful conditions in the country or not. If they wanted these conditions, was there any sane person, he asked, who thought they could be realised if a group of individuals or a section of the community, without any authority except that which they arrogated to themselves, could equip and maintain armed forces with the avowed object of taking the field at a suitable time against the rest of the community—the majority of the people—unless indeed the majority yielded to their will; and in the meantime claimed the right to take the lives of their own members or other members of the community, whom they



deemed to be offending against their code? Bloodshed and anarchy would, he declared, be the inevitable outcome of tolerating such an organisation. He then referred to the "callous and cowardly murder" of Admiral Somerville, and described a speech made by Miss Mary MacSwiney, the well-known Republican orator, during the election campaign, as a condonation of and attempt to justify these crimes. Such condonation and justification must, he said, be an encouragement to those who planned and carried out those murders—encouragement to plan and commit more.

Mr. Cosgrave's comment on this speech was that it was the appeal of a fond parent to an erring child, because the men who shot Admiral Somerville were brought into existence by the policies pursued by the Fianna Fail party and its leader. But for that leader no blow would ever have been struck in Ireland against an Irish Government. But for his fostering care, his ambiguous speeches, his skilful appeals to national tradition, there would now be no arms in the hands of any body of Irishmen in the Free State save the army and police. And Miss MacSwiney herself, from another angle, was not slow to reply that every word she had said in Galway or elsewhere, in condemnation of "Mr. de Valera's coercion to-day", could be paralleled from his own speeches in 1931, when he denounced the introduction of the Act he is now using himself against the I.R.A.—the Act that established the Military Tribunal and gave the police special powers to deal with political offences.

She went on to warn him that if he tried to substitute "Document Number Two", the compromise he suggested during the treaty discussion in 1922, for the Republic proclaimed in 1916, then he was going the way of his predecessors, and their responsibility would be his also. His reputation as an Irishman would, she said, depend on his fidelity to his oath to the Republic. It would be well, she added, for the British to note that no deal would be of

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any use to them in wartime that purported to maintain here any status other than that of the Republic of Ireland—outside the British Empire. Anything less would mean, in the future as in the past, that England's difficulty would be Ireland's opportunity to break every link.

Mr. de Valera's relations with the I.R.A. have not been sweetened by this controversy, but he has undoubtedly strengthened his position considerably with all sensible people. It does not seem just or generous for the Cosgrave party to taunt him, as some of them did during the elections, with using the Military Tribunal, which is their own creation and the only effective means of dealing with political criminals in this country.

Further fuel was added to the Republican fire by the suicide of Sean Glynn, a delicate young member of the I.R.A., who was confined as a political prisoner in the military prison at Arbour Hill, Dublin. The inquest was naturally used for propaganda purposes by the I.R.A., but Mr. Maurice Twomey, their leader, at present serving a sentence in this prison, had to admit, when giving evidence at the inquest, that, whilst the military officials administered the regulations firmly, they did no more than their duty. The coroner's jury found that the deceased man was not a fit subject for solitary confinement. Subsequently the Government announced some relaxation of the regulations preventing intercourse between the prisoners. The National Association of old I.R.A. members, which has recently been organised to unite the various elements into which they were hitherto divided, has demanded an assurance from the Government that the recognised rights of political prisoners will in future be fully guaranteed.

The publicly declared aims of this new organisation are to unite the I.R.A. veterans of the Anglo-Irish fight on the basis of the Republic proclaimed in 1916—whatever that may mean—and to safeguard their interests. At the first meeting a resolution was passed unanimously demanding that no public representative from the Free State should

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attend the Coronation next year. Subsequently Mr. de Valera received a deputation from this association which put forward for consideration by the Government a scheme of assistance for old I.R.A. men suffering from unemployment or physical disability. Meanwhile, it may be noted that the Government has refused to participate in the proceedings of the special commission set up to make preparation for Dominion participation in the Coronation ceremony.

II. THE NEW CONSTITUTION

AS the Dail has adjourned till November 4, and as the Bill for outlining the proposals for a new constitution is not likely to be introduced for some time after the Dail re-assembles, it is not possible at present to do more than anticipate its provisions. It is, however, clear from Mr. de Valera's public pronouncements that the new constitution will transform the Free State into a republic in everything but name. It may be gathered from his statements that the King will be entirely eliminated from the constitution, and that the new head of the state will be elected by the people and represent nobody but the people. The situation that will then arise will be virtually that contemplated by the famous Document Number 'Two, which Mr. de Valera proposed as a substitute for the Treaty of 1921, namely a Free State in association with the British Commonwealth but yielding no allegiance to the King. The powers and functions to be given to the new head of the state, who will no doubt be Mr. de Valera himself, have not been indicated.

A constitution of this kind would undoubtedly be preferable to the present confused position, which leaves us without any proper head of the State and no national symbol except the flag. But it would still leave our relationship with the British Commonwealth vague and undefined and might well lead to serious friction with

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Great Britain. One of Mr. de Valera's journalistic entourage, Mr. Hugh Blackham, has recently suggested that adult suffrage in the Free State should be qualified by granting votes only to the head of each family according to the number of persons in the family. It is doubtful whether Mr. de Valera will adopt this sensible suggestion, for too much of his support comes from irresponsible elements to make it attractive; but it is obvious that our present system of unqualified adult suffrage is entirely unsuited to the social framework and necessities of our essentially patriarchal and agricultural society, and is responsible for many of our difficulties.

The report of the commission set up to make recommendations in regard to the functions and constitution of an alternative chamber to the late Senate,* which has now been published, consists, as might have been expected from its composition, of a majority report, which is really only a series of majority decisions, three minority reports, and six notes by individual members. Publication of the report was due to the fact that Mr. de Valera's paper, *The Irish Press*, secured and published a copy without the Government's permission. The new second chamber, in the majority's view, ought to have almost exactly the same powers as those to which Mr. de Valera finally reduced its predecessor. They recommend that its power of delaying an ordinary Bill should not exceed three months, and that in respect of a money Bill its power, as formerly, should be limited to making recommendations. The only extension of power that they propose, and it is a valuable one, is the right to call for a referendum on any measure involving an amendment to the constitution. In their view the new chamber should consist of forty-five members over 35 years of age, fifteen of whom should be nominated by the President of the Executive Council, and the remaining thirty elected according to a system that can only be described as fantastic. After each general election the new

* See THE ROUND TABLE, No. 194, September 1936, p. 785.

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Dail should choose a nominating body, which in turn should select a panel of candidates for the Senate, to be placed finally before an electoral college consisting of the candidates at the previous general election to the Dail voting on a sliding scale according to the support they received at the election.

The main minority report, which is signed amongst others by three prominent professors of the National University and Mr. Frank MacDermot, T.D., maintains with considerable truth that the primary function of a second chamber is to safeguard the fundamental human rights of the people as well as the continued existence and peaceful development of democratic institutions against encroachments by the executive. They propose a second chamber of fifty members, ten chosen by the President of the Executive Council and the remainder elected by the Dail from four panels selected on a vocational basis by the Government, public bodies and the professions. They would extend its power of demanding a referendum to all cases where the majority of the chamber believe that the passage of a Bill into law would raise some vital national issue not decided by the people. The Chief Justice, who was chairman of the commission, believing the exclusion of direct election would deprive the second chamber of all authority or claim to respect from the people, proposes, in a dissenting note, that one half of the second chamber should be elected by four constituencies coincident with the provinces of the Free State, by electors over thirty years of age; that voting should be compulsory, enforced by penalties, and that the tenure of office should be six years.

It now remains for Mr. de Valera to meditate and act on the report. The fact that Mr. Gerald Boland, the Minister for Posts and Telegraphs, has been appointed Director of Elections by the Fianna Fail party indicates that Mr. de Valera's meditations will not be protracted. Once the Constitution Bill has been introduced, the time

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will be clearly ripe for a general election. For this ordeal the United Ireland party is ill prepared. Its party newspaper has ceased to appear, its funds and morale are equally low, and its junior organisation, the League of Youth, better known as the Blueshirts, is hopelessly divided on questions of policy and control, as usually happens when a party of middle-aged politicians seeks to control rash and irresponsible youths. Clearly the moment has arrived for Mr. de Valera to strike.

III. IRELAND AND SPAIN

THE terrible struggle in Spain has had definite repercussions in the Free State, where public opinion is strongly on the side of the insurgents. The outrages perpetrated against religion by the followers of the Spanish Government have caused much indignation both here and in Northern Ireland; for fundamentally, when the Pope is forgotten, there is no distinction between North and South in the strength of their attachment to the Christian faith. The Catholic Church in Ireland is naturally and properly alarmed at the possibility that Labour may become tainted by communist propaganda, and there are signs that this is possible. Irish Labour leaders are indeed in somewhat of a quandary; for the attitude of Labour in Great Britain, to whose unions so many Irish workers belong, and which supports the Spanish Government, is entirely at variance with the Irish belief that the insurgents stand for God and fatherland against atheism and communism. This situation has already led to friction with the English trade unions and will probably lead to more. Our trade unionists naturally feel that the English unions have no right to use funds to which their Irish members have subscribed for political purposes abroad of which those members strongly disapprove.

The Irish Catholic hierarchy have ordered prayers for the persecuted Spanish Catholics and authorised a special

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church collection for their relief. It might be well for us also to realise that the plight of the Spanish Catholics is largely due to lack of social policy and leadership by those in authority, and to unchristian divisions among the political leaders of the people, who, although mostly Catholics, neglected to apply the teachings of their faith to political problems. Popular feeling here has found expression in a new organisation called the Irish Christian Front, whose aims are to combat communist principles and propaganda at home, and abroad to supply medical aid to the insurgent forces in Spain. Already many public meetings have been held and large sums of money collected for this purpose. Medical supplies have in fact already been sent to Spain.

Activity of another kind has been begun by General O'Duffy, who has found a congenial occupation in organising a body of two thousand Irishmen whom he proposes to lead into the Spanish *mêlée* at the earliest opportunity. The gallant general, whose energy is greater than his common sense, belongs to that rather dangerous category of second-rate men of action to whom thought is abhorrent. Having failed to achieve anything but senseless disturbance in Irish politics, he now turns to the Spanish civil war as a suitable arena for his activities, quite regardless of any possible international consequences. He has already visited and been welcomed at the camp of the insurgent generals and proposes to return to Spain soon with his battalions. The Free State Government have adhered to the non-intervention pact and have expressed their desire to participate in any practical effort towards restoring peace in Spain. They are hardly likely to invoke the Foreign Enlistment Act against General O'Duffy and his merry men, as they probably realise that Spain is the most suitable place for our Irish Don Quixote.

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IV. ECONOMIC RECOVERY

ALL available indications prove that ripples from the slowly rising wave of world recovery have reached our shores. The trade returns for the twelve months ended September 1936 are the best for many years. The visible adverse trade balance shows a fall of £1,500,000 as compared with the previous year. The greater part of this improvement is due to the better trade relations with Great Britain, which are the direct result of the coal-cattle pact.* The export of cattle and horses alone has increased during the first nine months of this year by more than £1,000,000. During this period we have imported from Great Britain and Northern Ireland goods to the value of £15,493,261 and exported to them goods valued at £14,794,859. To other countries we have exported goods valued only at £1,360,000, whilst we have imported from them goods valued at £12,800,000. The failure of the Government's attempt to foster foreign trade at the expense of that with Great Britain is now obvious. Signs of returning sanity are to be discovered in their agreement with the Governments of Great Britain and the United States for a trans-Atlantic air service, the European starting place of which will be the mouth of the Shannon, and in their consequent refusal to permit the German air service to use Galway as a base for experimental flights. We cannot revolve in two different international orbits at the same time, and we must make our choice and stick to it.

Our national expenditure is still exceeding revenue, but the present deficit is half what it was this time last year. Moreover tax receipts show a substantial improvement. The annual report of the Electricity Supply Board also shows a further considerable increase in the sale of electricity, and its income now exceeds expenditure by over

* See THE ROUND TABLE, No. 102, March 1936, pp. 356 *et seq.*

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£300,000, after paying interest at five per cent. to the state on the capital outlay of £10,000,000.

On the other hand, the census of population, just completed, has given a nasty shock to those of our political economists who justified the Government's tariff policy by the necessity for providing employment for our rapidly increasing population. The figures disclose the fact that since 1926 the population of the Free State has decreased by over 6,000; it now stands at 2,965,854. They prove also that there is an increasing drift from the country to the towns—what our humorous journal, *Dublin Opinion*, aptly describes as “rush in urbe”—a drift that raises serious urban problems and proves that no effective remedy has yet been found for the evils of rural depopulation. The population of Dublin, for instance, has increased by 82,000 in the last ten years, a number equal to the population of Cork, the second largest city in the Free State. One reason for the general decrease in population is, of course, our low birth rate, which is due not to the limitation of families but to late marriages, an alternative method of birth control. Between the ages of 20 and 24 no less than 96 per cent., and between the ages of 25 and 30 no less than 79 per cent., of our male population are single. This is a higher proportion than in any other country in Europe.

The flight to the towns is, of course, largely due to the recent emphasis on industrial development and to our lack of interest and pride in our main occupation, agriculture. This strange attitude, so unlike that in most other countries, has been stimulated by recent state policy and is both undesirable and dangerous. Experts agree that, as the net result of our present agricultural policy, which encourages the growing of wheat and beet and restricts agricultural imports, there will be a marginal change-over of about ten per cent. from imports to home production. Although this is important, looked at in itself, one cannot say that it is going to bring about a profound change in

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our agricultural economy. In the main, therefore, agriculture must remain an exporting industry, to which we must look in the future as in the past for the means to pay for our imports.

As regards other industries outside agriculture, the only real export industry we have at present is Guinness's stout, and having regard to the high cost of capital, the relatively high level of industrial wages, the policy of protection, and the comparatively small domestic market, there is no possibility of any change in this situation. We shall in fact be lucky if we can maintain it. Our national policy at present is directly contrary to the virtually free trade policy which other small countries have followed in order to become exporters of industrial products. In the home market for industrial products a small increase is possible, but its nature is best shown by the fact that while the numbers employed in industrial production increased from 32,800 in 1926 to 44,600 in 1933 the amount paid in wages in the same period increased only from £4 million to £4.3 million. This industrial development is largely subsidised and reacts heavily on the consumer, who is also the taxpayer. It is dependent on tariffs and government spending which cannot go on indefinitely at the present rate. The amount of net public disbursements rose from £31,972,000 in 1930 to £43,942,000 in 1933 (they are much higher now), while at the same time the value of the national income was declining. It is true that the public debt is now only £20 per head of population, but it is certain to rise much higher before long.

Our continued prosperity as a creditor country depends in the last analysis on our substantial foreign investments, which are almost entirely in Great Britain and on which the whole structure of our foreign trade is built. No country has therefore a greater interest in the maintenance of general financial stability, the observance of international debt morality, and the continued prosperity of Great Britain. This situation is not likely to change for many

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years, and, although at the moment our Government acts as if it did not exist, it must eventually be the deciding factor in our international and domestic policy, whether we remain a Free State within the British Commonwealth, or decide to become a republic in probably even closer alliance, both political and economic, with Great Britain.

GREAT BRITAIN

I. POLITICAL PATCHWORK

AS an effect, perhaps, of heightened external anxieties, the stream of British politics has been flowing briskly during the last few months. Non-intervention in Spain, national rearmament, trouble in Palestine, collective security and League reform, have furnished quite enough material for political controversy, even without the internal troubles that in a measure result from disturbance abroad. Yet, active as politics have been, there is no new trend or sudden change in their direction to record. The Government undoubtedly lost prestige at home (though less, perhaps, than they lost abroad) over the Hoare-Laval affair and, later, the inept handling of the question of Abyssinia's rights at Geneva; and this loss they have not yet fully recovered. Mr. Baldwin, too, though apparently much invigorated by the long holiday he took in the summer and early autumn, has done little of late to command acclaim as a forceful popular leader. On the other hand, there is no sign of any distinct gain in popularity for the Labour party, or of any growing preference for Mr. Attlee as Prime Minister.

A by-election at Clay Cross, Mr. Arthur Henderson's former seat, showed no change of voting expression during the year's interval. At Erdington (a Birmingham constituency that has profited appreciably by the advance of rearmament) the Conservatives held the seat in a by-election by a majority of over 6,000, compared with nearly 10,000 in the general election. Labour's poll was actually slightly higher than in 1929, when they won the seat; but on that occasion there was a three-cornered contest, and the apparent lesson of the by-election is that in such areas the bulk of the former

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Liberal vote is now going to the Conservatives rather than their opponents (despite the fact that on this occasion the Labour candidate had the endorsement of Mr. Lloyd George's Council of Action). "The result", says Labour's newspaper, the *Daily Herald*, "will be studied by prudent Labour supporters for the light it throws on the tasks ahead". So, no doubt, will the results of the municipal elections held on November 2. Labour losses were widespread, and several councils, on balance, were conceded to Conservative majorities. Nominally, these contests are concerned only with local issues, but Labour itself has been foremost in importing into them national political divisions, and has contended with some reason that the proper completion of a socialist programme requires a hold over local as well as national government.

The Labour party conference, held at Edinburgh early in October, did not display such unity and leadership as would attract the unattached voter who missed those qualities in the present Government. Over non-intervention in Spain there was an open rift. On the first day of the conference the party executive's policy of cautious support for the Blum-Eden policy was endorsed by 1,836,000 card votes to 519,000. But only the massed battalions of the trade unions carried the day; the opposition (in favour of exercising the right under international law of helping the lawful Spanish Government) included such formidable leaders as Sir Charles Trevelyan and Mr. Philip Noel Baker; and it seems that if the debate had been postponed till the end of the conference the official view might have come much closer to rejection. For later two "fraternal delegates" from the Spanish Parliament arrived, and moved the conference deeply by their appeals. The party leaders agreed to call on the acting Prime Minister to make representations on the latest reports of breaches of the non-intervention pact by Italy and Germany; and the conference was placated in its last hours by a fresh statement of the executive's policy, declaring that if the

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non-intervention pact was found either to be ineffective or to have been definitely violated Labour would urge the British and French Governments to lift their embargoes on the export of arms to the Spanish Government. This in fact Mr. Attlee and his colleagues did in the debate in the House on October 29. Yet they were unhappy and unconvincing in their turned coats, conscious as they must have been that only a very small minority of the electorate considers the fascist-communist clash in Europe to be an affair of ours, certainly not to the point of running any risk of being drawn into war over it.

It was significant that the same Labour party conference rejected by 1,728,000 votes to 592,000 a motion instructing the national executive to accept the affiliation of the Communist party. The debate gave rise to an argument as to whether the communists or the non-political unions promoted by Mr. George Spencer were the more to blame for weakening the miners' organisation. Both have recently been vigorously rebuffed by orthodox trade unionism. A bitter dispute at the Bedwas colliery between the South Wales Miners' Federation and the owners, who sought to confine their labour to Mr. Spencer's Miners' Industrial Union, threatened in September to plunge the whole industry into a strike. At the eleventh hour, however, the owners accepted a proposal for a secret ballot of the men, which resulted in a majority of nearly four to one in favour of the Federation. This was a serious blow for Mr. Spencer's organisation, which derived its original strength from the reaction after the 1926 stoppage; at the same time it averted a grave clash in the coalfield which neither side wanted. Generally speaking, the outlook for industrial relations is good.

The Conservative party conference is very different from its Labour counterpart. It is not a caucus able to elect a committee of leaders and to dictate policy, but a gathering of Conservative workers from the various constituencies to hear speeches by accepted leaders of their party and to

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make comments on them. It is not required to endorse any official programme. Hence it tends to be more rebellious than a Labour conference, while at the same time its resolutions have no binding effect and are not infrequently ignored by the Conservative leaders. This year's conference at Margate was chiefly remarkable for two things, the absence of the Prime Minister and the passage of two important resolutions in face of dissuasion by Cabinet Ministers on the platform. Mr. Baldwin, who was at the time breaking his holiday with a short visit to Downing Street, sent Mr. Neville Chamberlain to represent him—an episode that revived the rumour that the Chancellor would very shortly succeed to the Premiership. Mr. Chamberlain told the conference that the time had happily not yet arrived to make a final appraisal of Mr. Baldwin's services to his party and his country, but his phrasing was certainly consistent with the conclusion that the opportunity might not be long delayed. Political gossip at present has it that Mr. Baldwin will resign not long after the Coronation.

The two motions carried against the advice of Ministerial leaders concerned policy towards agriculture and towards the return of the mandates. The conference urged the Government,

in order to dispel grave anxieties within the Empire and dangerous hopes abroad, to give an assurance that the declaration made by the then Foreign Secretary, Sir John Simon, to the German Chancellor in Berlin in March, 1935, to the effect that the cession of any British mandated territory was not a discussable question, still represents the unaltered attitude of His Majesty's Government.

Sir Samuel Hoare tried to persuade the conference to rely on statements already made by the Government. If the resolution were passed, he said, it would be regarded by the Government as a further expression of the country's anxiety, but its passage could not, in the present sensitive state of international affairs, change the Government's attitude. They stood by the Foreign Secretary's statement

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of the previous July, to the effect that, in view of the grave difficulties—moral, political and legal—that the transfer of mandated territories must raise, they hoped that with so many international problems still unsolved there would in no quarter be a desire to introduce a further cause of serious difficulties between the nations. The conference, knowing that Mr. Eden's hope had already been dashed by German leaders, was not appeased by these smooth words. Nor did it pay much heed to Mr. Elliot's opposition to a resolution urging the Government to impose a general protective tariff on agricultural produce, with a preference for the Dominions. The Minister of Agriculture exhorted the conference in vain to think twice before pinning its faith so absolutely to one remedy. The episode helped to confirm the widespread notion that the sun of "quotas" has passed its zenith.

One of the Conservative delegates declared, apparently with general agreement, that the farming community had never had such confidence in a Minister of Agriculture as it had then in Mr. Elliot. It was all the more surprising, therefore, when he was transferred to the Scottish Office, on October 29, to fill the place of the late Sir Godfrey Collins. Some commentators have ascribed his translation to a desire on the part of the Government to enter the discussions with the Dominions next year, on the future of Ottawa, with its hands freer than they would be if the Minister of Agriculture were still so closely associated as Mr. Elliot is with the device of quotas and the present marketing schemes. Mr. W. S. Morrison (at present the most likely younger "hope" for the Prime Ministership) succeeded Mr. Elliot at the Ministry of Agriculture, and the number of Liberal Nationals in the Cabinet was maintained by the promotion of Mr. Hore-Belisha to Cabinet rank.

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II. REARMAMENT

BOTH the Conservative and the Labour conferences paid a good deal of attention to rearmament. For the former, it was not a matter of any keen controversy. After a comprehensive speech by Sir Samuel Hoare the conference unanimously recorded its conviction that a policy of one-sided disarmament would be more likely to promote war than peace and would render impossible the creation of an effective system of collective security. The most noteworthy incident was the First Lord's successful plea that a section of the resolution deploring opposition to recruiting and rearmament "in the name of peace" should not specifically refer to the Labour party, followed by his appeal to Labour for positive support. He drew a distinction between "factionous partisans and many of the more responsible Labour leaders". To the latter he would say :

The defence programme . . . is a national programme which should be supported by men and women of all parties who believe in democracy and are determined to strengthen the forces of peace in the world. The responsible leaders of Labour can give invaluable help. They came forward with their assistance in the war. Let them now, realising the issues at stake, come forward once again and join in carrying through a programme that is as essential for the cause of peace and freedom as it is for the security of the British Commonwealth of Nations.

This appeal, patronising as many of those to whom it was addressed may have thought it, did not fall entirely upon stony ground. The trade unions—not only because they tend to be the more moderate wing of the Labour movement, but also because they have foreseen that a large-scale rearmament programme might become popular as a provider of employment, not least in the depressed areas—have from the outset been loath to oppose it. But the Labour party as a whole, with its strong pacifist section and its condemnation and distrust of the Government's foreign policy, is gravely split. The party conference carried by a

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majority of 1,738,000 votes to 657,000 a tight-rope resolution declaring that Labour was in favour of adequate defence, of arming in concert with the peaceful Powers to a degree "conditioned by the armed strength of the potential aggressors", while in the same breath it declared its distrust of the Government, declined to accept responsibility for a "purely competitive armament policy", and reserved "full liberty to criticise the Government's rearmament programme".

This official statement of Labour policy found powerful supporters, including Mr. Herbert Morrison, Mr. Attlee, and Dr. Dalton, who painted a horrific picture of German rearmament, and added :

The time has come when we must say to the fascist States, acting now in the Spanish case for the first time in collusion : There is a limit. So far and no farther. Henceforth law must be observed ; treaties must not be broken ; aggression must not be executed. If you have grievances, come in and join us and let us see what they are.

But on the other side was a formidable array of pacifists like Mr. Lansbury and doctrinaire socialists like Sir Stafford Cripps, who opposed any increase of arms in the hands of a capitalist government. And from the trade unionists of the Right came angry demands for a more straightforward announcement of policy. Mr. Bevin, the chairman of the T.U.C., wanted plain talk to Hitler and Mussolini and a warning that the trade unions would not stand for weakness.

In spite of the opposition of some sections of the Left, and widespread controversy and confusion about foreign policy, rapid rearmament may fairly be called, like the effort to stand aside from the fascist-communist conflict in other countries, a national policy. Indeed the divisions on the subject in the Labour party, which have left it (according to the labour correspondent of the *Manchester Guardian*) "an enfeebled political force", have served merely to confirm political waverers in support for the Government. But there have been misgivings and debate about some of the

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details of rearmament and about its scope and direction. The aeroplane *versus* battleship debate will probably not have been entirely silenced by the report of a special sub-committee of the Committee of Imperial Defence, which declared that the day of the capital ship is not over, and that to cease to build such vessels would lead to grave risk of disaster. It was plain to the sub-committee that capital ships could not be constructed so as to be indestructible from the air, but they were satisfied that everything was being done to secure the maximum of immunity. They pointed out that other navies had not abandoned the capital ship,* and that over vast ranges of the ocean either our fleet would be out of range of enemy air forces or an enemy fleet would be out of range of ours.

.On the other hand, the controversy over the strategic future of the Mediterranean seems to have been stilled for the time being by emphatic governmental statement and action. It is understood that the defences of Malta are being thoroughly modernised, and its provision for anti-aircraft defence and air counter-attack greatly expanded. On his return, on September 22, from an official cruise in the Mediterranean, Sir Samuel Hoare declared that

so far from there being any question of our abdicating our position in the Mediterranean or scuttling from Malta, we intend to face these new and difficult problems, to make our future position quite secure. . . . Air power has already made a difference, but I do not think it is a question of revolutionising our policy. It is more a question of adapting ourselves to new conditions. We have to make the fullest possible use of our own air power.

The First Lord of the Admiralty added that he thought we had not given half enough attention to Cyprus. Its military future was being considered, but in any case he felt the island ought to have a better harbour, and he had always thought it important from the air point of view.

The determination still to regard the Mediterranean as a main theatre of imperial defence was confirmed by the

* The new German naval programme includes a 35,000 ton battleship.

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Foreign Secretary in the debate on the Address. A few days earlier (on November 1) Signor Mussolini had made a speech expressing Italian resentment at the British attitude towards his country and the Mediterranean, which was for Italy "her very life", whereas for Great Britain it was only a short cut to some of her outlying territories. Mr. Eden denied the implication that the freedom to come and go in the Mediterranean was for Great Britain a convenience rather than a vital interest.

For us the Mediterranean is not a short cut but a main arterial road. We do not challenge Signor Mussolini's word that for Italy the Mediterranean is her very life, but we affirm that freedom of communication in these waters is also a vital interest in a full sense of the word to the British Commonwealth of Nations. In years gone by the interests of the two countries of the Mediterranean have been complementary rather than divergent. On the part of His Majesty's Government there is every desire that those relations should be preserved in the future.

These sentiments were received with cheers in the House.

To return to rearmament—public opinion was recently disturbed by an incident in connection with Lord Nuffield's part in the "shadow programme" for the manufacture of aero-engines. The programme provides for the building and maintenance of factories by a number of motor-car manufacturers, with government funds, for the production of various engine components. Staffs are to be trained and experiments pursued, but large quantities of finished products are to be turned out only in the event of war or emergency. Each of half a dozen firms is to produce some part of the engines. One of the firms originally associated with the Air Ministry's plans was the Wolseley Motor company, a subsidiary of the "Morris" group. Suddenly it was announced that the Wolseley company was withdrawing from the scheme and that the Wolseley Aero Engines company, another of Lord Nuffield's firms, was not prepared to accept certain orders from the Ministry. The withdrawal of the country's leading motor group,

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with the impressive personality of Lord Nuffield behind it, naturally caused a sensation.

In a long statement he explained his disappointment, and from the national point of view his dismay, at the Air Ministry's preference for the "shadow" scheme to the allotment of orders for complete engines to the Wolseley Aero-Engines company. He had not haggled over the question of price, but was willing to build engines at the price the Air Ministry was actually paying. The Air Ministry had written :

Whatever success may be achieved by your company in the production of engines during the expansion period, the scheme would contribute little towards the development of the largely extended capacity required for an emergency, nor would there be created thereby any prospect of Air Ministry's orders for engines from your company after the expansion was completed.

"You see", commented Lord Nuffield, "I am asked to put up a factory at government expense when I have already an aero-engine factory standing there doing nothing". An order for 300 engines had later arrived, but only after the decision had been taken to close down the aero-engine factory.

A few days later the chairman of the Alvis Car and Engineering company made a similar complaint, to the effect that while new factories were being built at public expense under the shadow scheme his company's "large, modern" aero-engine factory was "ignored officially".

The Government's case was issued in the form of a White Paper * on October 29. It gave a rather different account of the personal relations between Lord Nuffield and the Secretary of State for Air and his advisers, dispelling the impression that the former had been treated with brusqueness and discourtesy. Lord Nuffield had been told in November 1935 that the air expansion programme of that date was within the scope of the existing industry, and that the Air Ministry could give no guarantee of a market for aero-engines, but that they welcomed the existence of his

* Cmd. 5295.

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factory. The scheme for the making of components in seven different factories, and the assembly and testing of complete units by two of them only, had been adopted on the advice of the participating firms themselves, re-endorsed by Lord Austin in a letter written to the Secretary of State after the Nuffield disclosures.

The Air Ministry (admitted the White Paper) would have preferred that each engine should not have been sub-divided among as many as seven firms.

This was followed by a statement in both Houses of Parliament, and by a personal reconciliation between Lord Nuffield and the Government. The Wolseley factory is to be used, apparently, for the purpose of army mechanisation, while the "shadow" scheme will go forward with another firm taking Wolseley's place.

Nevertheless, the anxieties of Parliament and the public have been aroused. Strong criticism continues to be directed from some quarters against the shadow scheme, which is accused of exposing the whole production of aeroplanes to interruption through an air raid on a single factory. Equally serious is the more general criticism that the decision whether to sub-divide production or to create a number of independent factories ought not to have lain with the interested manufacturers, but with the Air Ministry and the Committee of Imperial Defence. The Debate on the Address indicated that the Government realised the force of these anxieties, and the Minister for the Co-ordination of Defence offered this reassurance :

In war time the Air Ministry would not accept a single link chain. The firms would turn over the whole of their existing factories to doing aircraft work.

The public concern in this episode, and the strong views that it has caused to be expressed, are symptomatic of a natural popular suspicion towards the armaments industry, which becomes the more intense as national armament is accelerated and higher profits are derived from the manufacture of weapons of war. This feeling, sharpened by

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the disclosures of the United States Senate committee, led to the appointment, eighteen months ago, of a Royal Commission on the private manufacture of and trading in arms. Its unanimous report * was published on November 1. To the disgruntlement, no doubt, of many of those who had pressed most eagerly for its appointment, it declared that

The abolition of the private industry in the United Kingdom and the substitution for it of a system of State monopoly may be practicable; but it is undesirable. . . . The necessities of Imperial defence cannot be effectively met, in existing conditions, except by the maintenance in peace-time of a system of collaboration between the Government and the private industry of the country in the supply of arms and munitions. . . .

We recommend that the Government should assume complete responsibility for the arms industry in the United Kingdom and should organise and regulate the necessary collaboration between the Government and private industry; that this responsibility should be exercised through a controlling body, presided over by a Minister responsible to Parliament, having executive powers in peace-time and in war-time over all matters relating to the supply and manufacture of arms and munitions, costing, and the authorisation of orders from abroad.

We further recommend that the Government's own manufacturing establishments should be fully equipped for the production in some measure of naval, military, and air armaments of all types.

We recommend that measures be taken to restrict the profits of armament firms in peace-time to a reasonable scale of remuneration, designed not only to prevent excessive profits, but to satisfy the public that they do so.

We are of opinion that the problems involved in formulating plans for the conscription of industry in war-time will have to be faced, and should be faced without delay.

The system of export licences should be tightened up; the practice of open general licences for the export of certain classes of arms should be discontinued, and the grant of licences should be restricted to orders of foreign Governments, supported by import licences issued by those Governments stating that the goods would not be re-exported. And the private export trade in surplus and second-hand arms and munitions should cease completely.

* Cmd. 5292.

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These are only the most vital of the recommendations of a report to which it is impossible to do justice in a short space.

The King's Speech at the opening of Parliament on November 3 made no mention of action in furtherance of the Arms Commission's recommendations, an omission that was made the subject of the Liberal amendment to the Address. Sir Thomas Inskip, the Minister for the Co-ordination of Defence, expressed his scepticism about some of the Commission's major proposals, but assured the Opposition that the Government would "welcome an opportunity to consider the recommendations". Anticipating Mr. Churchill's demand for the establishment of a Ministry of Supply, he described it as "a fundamental change of organisation which would . . . involve so much delay and uncertainty that the Government could not contemplate it except on the most cogent proof of its necessity". This proof Mr. Churchill sought to give in a speech which, even for him, was exceptionally vehement and scornful of the Government's alleged apathy and inertia in matters of defence. He drew from Mr. Baldwin a remarkable confession that anxieties for the Government's political position had caused them to postpone, between 1933 and 1935, a rearmament policy that they had really thought necessary in view of the threatening international situation.

In other directions there is a full programme of legislation: reorganisation of the coal industry and the unification of coal royalties, the protection of the mercantile marine, the extension of the Special Areas Act, the amendment and consolidation of the Factories Acts, the improvement of the physical condition of the nation, the strengthening of the law dealing with "persons or organisations who provoke or cause disturbances of the public peace", and a number of other measures that will fully occupy an already over-worked parliamentary machine.

FASCIST AND COMMUNIST

III. FASCIST AND COMMUNIST

NOT the least important item in the list is the effort to deal with disorderly or provocative political activity. While there is no sign yet of the spreading of either fascism or communism beyond a very small minority in Great Britain, most of Europe is to-day a monument to the weakness of democracy in the face of antagonists whom at one stage it despised or neglected. The trouble, as most British citizens see it, is that the rival revolutionary factions encourage each other: the more numerous or more provocative the blackshirts become, the readier are their opponents to embrace the counter-doctrine of the red revolution; and every demonstration of force or act of violence on either side encourages similar acts or demonstrations on the other.

This sequence of action and reaction has reached a new phase with the adoption of a fierce anti-semitism by Sir Oswald Mosley and his followers. If the fascists by words or blows attack the Jews, identifying them with communism, sure enough many more Jews will become communists, and moderate men who bear the Jews no grudge but who fear the hand of Moscow will grow more sympathetic towards the blackshirt cause. This violent anti-semitism is a comparatively new thing in British fascism. In an interview with the *Jewish Chronicle*, published on May 12, 1933, Sir Oswald Mosley

expressed a desire to make it perfectly clear that neither he nor his organisation was anti-semitic. He resented the allegation that his organisation had attacked the Jews, as such activities had been forbidden from the outset.

It is a little surprising, therefore, to find anti-semitism one of the leading *motifs* in Sir Oswald Mosley's propaganda to-day, though consistency is hardly the strong point of a politician who previously sought his career first in the Conservative and then in the Labour party. The motive for the change of front is generally assumed to be the

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fascists' disappointment at failure to whip up enthusiasm among the electorate by other portions of their programme.

Whatever the underlying reason, a serious situation has been thus created. The fascists planned for Sunday, October 4, a great procession ("march" is the better word for so military a demonstration) through the East End of London, including districts where Jews predominate. Strong representations were made to the Home Secretary, by local authorities, Jewish bodies and others, to have the demonstration banned, but Ministerial policy was to "wait and see". While the official Labour organ urged its supporters to stay away and kill fascism by ignoring it, the Independent Labour party and the Communists organised counter-demonstrations. Tremendous excitement was aroused in the East End, and packed crowds of people lined the route of the march and blocked the roads leading up to it. The rest may be told in the words of the official statement issued by Scotland Yard.

Prior to the arrival of Sir Oswald Mosley disorder broke out among those who had collected to oppose the Fascist marchers, and resulted in a number of arrests. In view of the very large crowds, the Commissioner of Police for the Metropolis decided that the procession through the East End should not be permitted owing to the great likelihood of further breaches of the peace. The Fascists' procession, therefore, was escorted by the police along the Embankment to the Temple station, where it dispersed. A portion of it reformed and caused minor disorders in Trafalgar Square and the Strand.

The following Sunday witnessed a further series of disorders. In London an anti-fascist demonstration had a stormy passage, and had it not been for thorough police precautions there might have been a serious riot. As it was, a good many heads were broken, a few Jewish shops were pillaged by ruffians, and a motor car was overturned and set on fire. In other parts of the country fascist meetings met with violent opposition.

Ministers were not slow to express themselves on this

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threatening situation. Thus Sir Thomas Inskip declared at Watford on October 14 :

Everybody knows that in this country there is no colour and no creed which deprives anybody of his equal rights. What right, I should like to know, has one section of the community calling itself a fascist body to point a finger to a section to which we have given hospitality for centuries?

These fascists tells us they are fighting the communists. The people who are making communists to-day are Sir Oswald Mosley and his friends.

On November 10 the Government issued the text of a Bill

to prohibit the wearing of uniforms in connection with political objects and the maintenance by private persons of associations of military or similar character, and to make further provision for the preservation of public order on the occasion of public processions and meetings and in public places.

'The courts are left to determine what constitutes a "uniform signifying association with any political organisation or with the promotion of any political object". It becomes an offence punishable with imprisonment for six months or a fine of £100, or both, with higher penalties on conviction on indictment, to take part in the control or management of an association of persons who are either

(a) Organised, trained or equipped for the purpose of enabling them to be employed in usurping the functions of the police or armed forces of the Crown; or

(b) Organised and trained or organised and equipped either for the purpose of enabling them to be employed for the use or display of physical force in promoting any political object, or in such manner as to arouse reasonable apprehension that they are organised and either trained or equipped for that purpose.

Other sections of the Bill give greater powers to the police to control public processions, and make it an offence to carry an offensive weapon at any public meeting or on the occasion of any public procession. The Bill passed its second reading on November 16 without a division, being supported by all parties.

CANADA

I. DEBT IN ALBERTA

AN earlier issue of *THE ROUND TABLE* * described the origins of the Social Credit movement in Alberta and the advent of a Government, with an overwhelming majority, professing ideas based on the theories of Major Douglas. It may now be opportune to carry on the chronicle of Alberta politics and to comment on the situation that has developed during the last year.

Since its inauguration in September, 1935, the Aberhart Government has been concerned with two major tasks—the liquidation of debt, public and private, and preparations to fulfil the promises of the election period, which included the alluring promise to every adult citizen of \$25 a month in Alberta credit or, as more popularly understood, simply \$25 a month. During the year, the emphasis in governmental action has been placed not on direct preparations for Social Credit but rather on the liquidation of debt; the Government's drastic handling of the problem, especially in a second session of the Legislative Assembly held in the last week of August, has been at once the cause of great enthusiasm and, in other quarters, the cause of the gravest concern.

Debt is the canker in the economy of Alberta and the root of political discontents. It is the result of exaggerated borrowing, lending and spending before 1929, of low agricultural prices during the depression, and of heavy charges for unemployment and farm relief in recent years. Yet the disease is not greater in Alberta than in other provinces of western Canada and is not less capable of

* No. 101, December 1935, pp. 157-165.

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orderly treatment. The new Government was not unaware of the menace of accumulating debt. Whether with orthodox motives or as a preparation for Social Credit, it devoted the early months of power to the task of balancing the budget. As an adviser on this subject, no expert in Social Credit was employed but instead an industrialist from eastern Canada with experience of the pathology of private companies. Study of the financial problem led to no significant action until the Legislature met in regular session in February.

In the budget speech of March 2, the net funded and unfunded debt of the province at August 31, 1935, was stated to be \$154 million. The estimates for the fiscal year beginning April 1, 1936, proposed expenditure of \$18 million. The additional \$3 million required to balance the budget were to be found by increasing rates on existing taxes, including the provincial income tax, and by levying a new tax of 2 per cent. on retail sales, calculated to produce a revenue of \$2 million. The Provincial Treasurer said that since nearly 50 per cent. of total revenue was devoted to debt charges, "the greatest part of which is withdrawn from the province", the Government would be compelled to call upon the bondholders to accept a lower rate of interest. To provide for the reduction of public debt charges by retiring and refunding provincial securities, a "Provincial Loans Refunding Act" empowered the Government to issue perpetual stock from time to time at a rate of interest to be fixed by the Lieutenant-Governor in Council. This Act was to come into force only on proclamation and has not been proclaimed.

Meanwhile, at Ottawa, the federal Government had been proposing to the provinces the creation, on a voluntary basis, of a Dominion loan council to facilitate the refunding of provincial debts with federal guarantees and federal control over future borrowing. On April 1, Alberta rejected the idea of the loan council on grounds of provincial autonomy, and, lacking federal aid, was constrained to

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default in respect of principal on a loan of \$3,200,000 maturing on that date. The interest on this sum due on April 1 was paid. For the first time, a Canadian province had failed to meet a maturing bond issue. At that time, it was said that there was division in the ranks of the party and that private members had carried the day against the Prime Minister and the Right wing of the Cabinet. On May 30, by order-in-council, the Provincial Treasurer was authorised to offer and, if the offer was accepted, to pay rates of interest equal to half the contractual rates on all provincial securities except one. The offer was not generally accepted and a bondholders' protective association came into action. In the special August session of the Legislative Assembly, which met after drought had ruined the crops in southern Alberta, the cut in interest rates was confirmed by statute.

An Act of the August session for the reduction and settlement of private debt has been even more drastic. The Act applies to all debts except those due to the Crown and to certain government boards and such debts as may be removed from the operation of the Act from time to time by order-in-council. The Act divides debts into two classes: "old debts" arising before July 1, 1932, and other debts. The amount recoverable on any old debt is the amount outstanding and payable on July 1, 1932, reduced by any payments since made on account of principal or interest. After July 1, 1932, no interest is payable on any part of the debt, and the principal amount is to be paid in ten annual instalments beginning November 15, 1937. On "other debts", the amount recoverable is the original amount and subsequent advances with simple interest at the contracted rate or 5 per cent., whichever is less. All sums paid in respect of principal or interest since the debts were originally created are deductible. This Act for the reduction of private debt was supplemented by amendment of the Debt Recovery Act, 1933. No action may be taken against a resident farmer or home-owner save by permission of the Debt Recovery Board. A former right

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of appeal from this Board to a judge of the Supreme Court of the province is abolished. A further Act of the Legislative Assembly in August, to come into force on proclamation, declares that interest payable by Alberta municipalities shall not exceed 3 per cent. and that no court proceedings shall be entertained on account of any interest payable in excess of that rate. It was said that this violent debt legislation was passed under pressure of private members against the wishes of a majority of the Cabinet.

II. THE PROGRESS OF SOCIAL CREDIT

POSTPONING comment on the debt legislation, let us turn to the other part of the story, to the preparations for social dividends and the just price. Mr. Aberhart had always said that it would take 18 months to inaugurate a system of Social Credit and that the plans would be prepared by "our best experts". It might have been expected that Major Douglas would arrive in Alberta. Whatever the reasons, Major Douglas did not return to Canada. In the regular February-April session of the Legislative Assembly, an Act was passed "respecting Social Credit measures." The preamble makes the following statements :

Under modern scientific conditions, productive capacity is unlimited.

The existence of indigence and unemployment demonstrates the fact that the present monetary system is obsolete and a hindrance to the efficient production and distribution of goods.

The electors are favourable to the adoption of a measure based on Social Credit principles, their general objects being to bring about the equation of consumption to production, and to afford to each person a fair share in the cultural heritage of the people in the province.

The Act declares that "the people of the province are entitled to the full benefit of the increment arising from their association". It authorises the Government to appoint fit persons to consider and formulate proposals "having for their object to increase the purchasing power of the consumer by means of social dividends, compensating

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discounts or by any other means and the payment to the producer of any commodity of a just price"; also to investigate the prevailing conditions of all businesses and trades, and to ascertain whether they operate to the detriment of the province or of any category of persons in the province.

In spite of this Act, it was not evident at the close of the regular session that the Government had any definite plan for the issue of social dividends. It had, however, in various Acts indicated its intention to establish codes of fair prices, to set up a "price spreads" board, and to enlarge the area of government control of business by the threat of refusing licences. Codes have already been established in a few businesses in which excessive competition was said to prevail.

An order-in-council of June 16 authorised the issue of "Alberta Prosperity Certificates" to the amount of \$2,000,000. These were promises to pay at face value at the end of two years provided stamps had been affixed for 104 weeks at the weekly rate of 1 per cent. of each denomination. Certificates to the amount of \$250,000 were issued. Later, provision was made for redemption during three days of each month. At the middle of September, \$140,000 had been redeemed, and at October 1 only \$25,000 re-issued. The purpose of these certificates is not clear. They were perhaps, originally, an experiment in the financing of public-works unemployment relief. Issued in small and redeemable volume, they have done neither good nor harm.

A further order-in-council of July 29 under the Social Credit Measures Act appointed the Provincial Secretary to make the investigations referred to in the Act. The enquiry has been conducted by means of questions addressed to farmers and producers, manufacturers and processors, and by a registration form, also requesting detailed information, addressed to citizens generally. These forms were to be returned before September 30.

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When registering and submitting the desired information, persons in each category were required to sign a "covenant" with the government. The citizen agrees to co-operate with the government, to accept remuneration in Alberta credit as far as he can reasonably do so, to exchange income in Canadian currency for Alberta credit so far as is convenient, to make no demand for the redemption of Alberta credit, and to offer no Alberta credit in payment of taxes until such time as the government shall be able to accept it. The government agrees to maintain a just rate of wages with reasonable hours of work, to grant loans with an administrative charge of 2 per cent. but without interest for productive enterprise or the building of houses, to grant monthly dividends and to redeem Alberta credit with Canadian currency when possible. The farmer agrees "to sell at least 50 per cent. of his products, over and above that required by himself or his dependents, within Alberta for Alberta credit, when called upon to do so, provided the price allowed is at least equal to the general market price". To the farmer, the government promises a just price, increased sale of Alberta products by issuing social credit, bonuses to compete in the world's markets, and loans free of interest. The manufacturer agrees to co-operate in planning, to sell at least 50 per cent. of his output for Alberta credit, and to deposit surpluses in the "Credit House". The Government promises the manufacturer to assist in the purchase of raw material, to increase purchasing power, to offer bonuses and compensating discounts, to make external agreements for the exchange of surplus goods outside the province. The retailer is to give preference to the sale of Alberta credit for all goods obtained in that way. He is to receive benefits similar to those offered to farmers and manufacturers.

The most recent and definite step towards Social Credit is the Act of the special session of the Legislature confirming the previous arrangements for enquiry and registration and authorising the establishment of an "Alberta Credit

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House". The Credit House is to issue Alberta credit in social dividends and loans, to receive Alberta credit, currency, and all kinds of negotiable instruments, and to acquire provincial and Dominion securities. In the Act the Credit House appears to be not merely an instrument of the new experiment but also a provincial bank calculated to assume many functions of the chartered banks of Canada. Government officials are now busy with its organisation.

These have been the major acts of the Government of Alberta in 1936. From the point of view of all but Mr. Aberhart's supporters, they have many disturbing features. The plans for an experiment in Social Credit have been least alarming to the opponents of the movement, possibly because they do not believe that the idea is practicable and think that the movement may defeat itself. There has been no effort to obstruct the experiment inside or outside the province. Outside, there have been many to welcome the willingness of Alberta to play the rôle of laboratory dog. The implications of increased government control of economic affairs, including provincial control of marketing and exchange, may presently arouse apprehension; so may the tendency further to restrict the jurisdiction of the courts. It is alleged that there are disquieting symptoms of intimidation; many of the "convenanters" signed from expediency and not with faith, fearing that they might lose their jobs or that their businesses might be boycotted. The freedom of the press has been threatened. On September 13, in a speech at the Prophetic Bible Institute in Calgary, which had been heralded by similar utterances, Mr. Aberhart threatened to bridle the press. Objecting not to editorial criticisms of his policy but to news articles of a sniping character, he proceeded to argue that it might be expedient to license the press as other trades and professions are licensed.

However, the most serious aspect of recent government policy has been the violent legislative repudiation of debt. The Act concerning the reduction of private debts is

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pretty generally regarded outside the ranks of the Social Credit party as a capricious measure that materially benefits not merely the have-nots but also many of the haves. Mr. Aberhart has said that there is nothing in the legislation to prevent those able and willing to pay from fulfilling their obligations, but it is regarded as unlikely that many of those so able and willing will refrain from taking advantage of the law. Here it may be remarked that the municipalities show no desire to speed the proclamation of the Act reducing their obligations. The debt legislation, in general, which includes all manner of debts save those due to the government, strikes at the private investor, sinking funds, the banks, insurance companies, trust and loan companies. It is feared in many quarters that it may ruin the borrowing power of a province requiring capital for years to come. It is pointed out that it arouses fear of further expropriation, encourages the flight of local capital and paralyses initiative in business. If the movement spreads—and debt repudiation may easily be contagious—it might threaten the financial structure of Canada. Debt adjustment is necessary. It has perhaps been too long delayed or inadequate in measure. Repudiation is not necessary. Such are the views expressed in many responsible quarters.

However unpopular its conclusions may be, the comprehensive report of the bondholders' association is probably right when it says :

"The province of Alberta is economically and fiscally solvent and can pay all its interest obligations in full and reasonably expect surpluses in the near future . . . Alberta budgets can be balanced without the imposing of new taxation or reduction of necessary expenditure.

Certainly, budgets may be balanced if the province is willing to accept the idea of a Dominion loan council and of refunding with federal guarantees. This seems to be the better way for all concerned. And, in respect of private debt, the better way appears to be along the lines of the Saskatchewan plan announced at the end of September.

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There, governments, municipal, provincial, and federal, and loan companies are co-operating to cancel \$75 million of debts to governments and to private corporations in drought-stricken municipalities. Interest on all farm mortgages in Saskatchewan is to be reduced from January 1937.

To describe the situation in Alberta, strong words such as dictatorship, class-war, revolution, and communism have been used. There is no doubt that some of these longer possibilities are implicit in the present situation, but it would be hard to find consciously subversive forces or a revolutionary state of mind. The driving force behind the radical legislation has been the party caucus of private members. These men have exerted pressure on their leaders to repudiate debt and to get on with the fulfilment of their election promises. They are probably as innocent of marxian theory and of revolutionary technique as they are vague about the theory and implications of Social Credit. The movement is one of distress championed by men who came far west for better things. It expresses a desire to escape from the frustrations of the depression and from the calamities of nature, and impatience to hasten the process of debt adjustment. It is a movement that saw no Utopia in the programmes and practices of old parties and found hope and a religious sanction in the message of Mr. Aberhart.

The development of the situation in the near future is not easy to forecast. Much of the new legislation is of doubtful constitutional validity and may be declared by the courts to be beyond the powers of a province. While the British North America Act gives wide powers to a province in respect of property and civil rights, there is much in the recent Acts that may be considered repugnant to the federal powers and to Dominion statutes. Judicial decisions, however, will not solve the economic and political problems of Alberta, and political passions may not be subdued in the no man's land between *ultra vires* and *intra vires*. If the federal Government should consider that there is any

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genuine threat to the financial structure or to the economic unity of Canada, it might, on grounds of high policy, exercise the power of disallowance. Only apprehension of grave danger to the people of Canada outside Alberta is likely to prompt such action and, presumably, there will be no resort to disallowance without the offer to Alberta of a constructive scheme of debt adjustment.

It may be that there is no remedy for present discontents except by the votes of the electors of Alberta. If this be the case, a reversal of policy still seems remote. The Social Credit party has gained in strength as a result of the summer drought. The measures for the partial repudiation of debt have caused no loss of popular support. The party has an effective organisation and is said to be stronger than ever. There is a minority opinion strongly opposed to the policies of the Government, but it is still unorganised and divided by conflicting allegiances to old parties. If the United Farmers abandon party politics, the opposition may rally either to the Liberal party, which had the largest minority vote at the last election, or to a new party. An effective constitutional opposition, however small, might readily gather strength as the more unhappy effects of arbitrary repudiation emerged and as the policy of Social Credit came to make demands instead of promises. Since the current account of the province is now relieved of half the interest charges, there is presumably little immediate prospect that the Government will collapse by reason of financial difficulties.

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THE quarter under review has been characterised by over-production of grist for a chronicler's mill. A rigorous selection, on whatever basis, is disappointing to the writer and perhaps provoking to the reader. There may be some surprise at finding no discussion at all of the centenary celebration in South Australia, the proposal of the Victorian Government to restrict the powers of the Legislative Council along the lines of the Parliament Act of 1911, the decision of the Commonwealth Government to adopt the Statute of Westminster after further consultation with the states, the acceleration of the Commonwealth's defence programme, and the recent Commonwealth budget. But these things are only minnows, and the pool of Australian politics boasts two strenuous young whales as well. Not since the onset of the depression has the Australian people had to face simultaneously two such great economic-political issues. Both concern marketing. One arises from the decision of the Judicial Committee of the Privy Council in July in the case of *James v. Commonwealth*, invalidating the Commonwealth law controlling the interstate and overseas marketing of dried fruit, and indirectly affecting similarly the marketing of butter. The other arises from the trade diversion policy announced by the Commonwealth Government just before Parliament rose in May.*

I. THE PRIVY COUNCIL AND MARKETING

A COMMUNITY bent on a rapid increase of population and on the development of a balanced economy relies almost of necessity upon the principle of protecting home

* See THE ROUND TABLE, No. 104, September 1936, pp. 843-8.

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production. In the circumstances of Australia, secondary industry has generally been developed under the protection of a customs tariff, and though the major primary industries were able to hold their own until recently, more or less unassisted, in the export markets, primary production was encouraged in a number of minor directions by means of bounties, either on production or on export. Since the fall in world prices of primary products at the onset of the depression the effort has been to maintain, and even extend, the volume of exports, and to compensate the producer for low returns from exports, partly by devaluation of the currency and partly by maintaining an artificially raised home consumption price.

In so far as the home consumption price has been achieved by means of bounties, no considerable constitutional problems have been raised. The power to grant bounties, along with that to impose duties of customs and of excise, passed on federation to the Commonwealth. But, when an industry of the magnitude of the wheat industry has to be protected in this way, real political difficulties begin at once. Recurring surpluses have to some extent lightened the task of the Commonwealth Treasurer. But a bounty has to be paid at last out of revenue, and if great sums have to be found a special tax for the purpose can scarcely be avoided. The obvious thing will be an excise—a form of tax which, despite the notorious political weakness of the consumer, is always unpopular, which no political party will be willing to impose as anything but a temporary expedient, and which no body of producers would be well advised to count on obtaining. Alternative methods of benefiting the producers had, however, already been worked out, and were available, with some modification, for use in the major exporting industries.

These experiments had first been tried under the authority of state law, and for the most part in industries with no substantial export market. The states, charged under the constitution with the general responsibility for

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development, were not averse from attempting a small-scale economic nationalism of their own. Where substantial interstate or export trade was involved (as in dried fruits), co-operation between the producing states was found necessary, and was achieved.

Queensland and New South Wales first employed generally the method of compulsory "pools". The broad principle is that, if on a poll of the growers of a commodity a sufficient majority (usually about sixty per cent.) so decide, a marketing board representing the producers is set up for that commodity, the commodity as and when produced is vested in the board, and it becomes unlawful for a grower to deliver his commodity otherwise than to the board. The board ensures compliance with the rules regarding quality and grading, and endeavours to maintain prices by rationalising sales. This is "orderly marketing", strictly so called: the first article of faith in the primary producer's present-day creed.

Another obvious method, especially where the export market is both large in quantity and depressed in price (as in the dried fruits trade), is to maintain Australian prices by fixing the maximum percentage (quota) of his crop that each producer may sell within Australia. The surplus is thus forced abroad, to be sold at the lower overseas price. Regulation of quality and grading is achieved by licensing and controlling the packing or processing establishments. Compliance with the quota is enforced either by fine or other penalty or by actual expropriation. It is not necessary, indeed, to enforce exact compliance with the quota upon every individual seller, so long as he is prepared to "equalise", that is to say, pay into a common fund receipts from home-consumption sales in excess of the quota.

In writing the foregoing paragraphs, it has been embarrassing to decide the appropriate tense. The relevant Acts indeed still stand unrepealed on the statute-books. But, one by one, the interpretation placed by the courts on the constitution has destroyed their validity; they have been

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held to infringe the declaration in section 92 of the constitution that trade among the states shall be "absolutely free". The plaintiff in the recent Privy Council case, Mr. F. A. James, a South Australian grower of and dealer in dried fruits, has been throughout the outstanding opponent of the marketing schemes. Since 1926 he has had four successive victories, two in the High Court and two in the Privy Council. The High Court upheld his contention that the state could not lawfully fix a quota for his Australian sales, so as to force him to abandon profitable markets in other states and send his fruit abroad. The Privy Council upheld his subsequent contention that the state could not lawfully expropriate his crop in order likewise to force the surplus fruit off the Australian market. The High Court later applied this principle to the case of a Peanut Marketing Board in Queensland, set up on a compulsory pooling basis. The result was that the state was held to be powerless to control any part of a grower's produce with which he could trade interstate. If a state that was prohibiting interstate dealings in a commodity, either in excess of a prescribed proportion or to persons other than a prescribed authority, could be said to be leaving interstate trade "absolutely free", the constitutional charter, as the Privy Council remarked, might as well be torn up.

What the states were unable to do for themselves, however, a remarkable interpretation of section 92, adopted by the High Court in 1920, enabled the Commonwealth to assist them to achieve. It was necessary, said the Court in *McArthur v. Queensland*, to give to the words "absolutely free" their full ordinary natural meaning. This meaning was held to be "free from all governmental interference". Once that meaning was conceded, it seemed to follow inexorably that the prohibition contained in section 92 could not be addressed to the Commonwealth government at all, but only to the states. For the Commonwealth was given, by the constitution, express power to make laws

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with respect to interstate trade. It would be absurd to read the constitution as saying in one place that interstate trade was to be subject to Commonwealth law and in another that it must be absolutely free from all governmental interference on the part of the Commonwealth. What the constitution did forbid to the Commonwealth was to discriminate between states in the exercise of the trade and commerce powers.

Astonishing as this result is, it held the field for fifteen years in the High Court of Australia. The value of such an interpretation for marketing purposes is obvious. Under the constitution, trade and commerce powers are divided between the Commonwealth and the states, on the same basis as in the constitution of the United States—the Commonwealth having power with respect to overseas and interstate trade only, intrastate trade being reserved to the states alone. When, therefore, it was found that the state marketing laws could not, by reason of section 92, validly control interstate transactions, Commonwealth assistance was sought. In the dried fruits industry, the quota method was restored, but under complementary laws both of the Commonwealth and of the producing states, the latter operating only upon transactions within the state itself, the former operating—free of section 92—upon the interstate and overseas transactions. This was the scheme which was applied to dried fruits and butter, which Mr. James again attacked, and which the Privy Council has declared invalid. A still more elaborate form of regulation, on the same constitutional basis, was devised in 1935 for the wheat industry, but has not been put into operation; it too is regarded as invalidated by the Privy Council's decision.

Despite the serious consequences, the Privy Council's decision that section 92 is a prohibition addressed to the Commonwealth as well as to the states has been welcomed throughout the legal profession in Australia. Indeed a contrary decision would have been widely deplored as a

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surrender of principle to expediency. The interpretation adopted by the High Court in 1920 has never commended itself to Australian lawyers generally, and, though the High Court has followed the traditional British doctrine of precedent in adhering to its previous interpretation until overruled by the tribunal of final resort, a majority of the members of the Bench by which James's case was decided have expressed their individual views that the interpretation adopted in McArthur's case was wrong. The judgment has materially strengthened the prestige of the Privy Council as a final court of appeal from Australia.

In *James v. Commonwealth*, as in recent Canadian cases, the Privy Council has attempted to preserve the recorded historic intention with which the constitution was established. But the circumstances under which section 92 found its way into the Commonwealth constitution have made its subsequent interpretation a matter of exceptional difficulty. The principle involved, free trade among the constituent states, is an essential part of any federal structure, and the desire to secure interstate free trade, to put an end to the inter-colonial tariff warfare that cramped Australian life in the latter half of last century, to escape from "the barbarism of borderism", was one of the most powerful factors that produced Australian federation. In the constitutions of the United States and of Canada the principle of interstate free trade is embodied in a more or less technical section prohibiting the imposition of financial imposts on interstate trade. In the Australian constitution the formulation is attractively categorical and sonorous: "*Trade, commerce and intercourse among the states, whether by internal carriage or by ocean navigation, shall be absolutely free*". A well-turned phrase, with a strong popular appeal, put forward by Parkes in 1891 as one of the six original bases for discussion at the first Convention.

But "free" is a deceptive word—a literary chameleon. It means different things as applied, for instance, to a dinner, to speech, and to a church respectively. To remove

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ambiguity, one must say what it is that trade is to be free *from*. Some of the ablest lawyers in the Federal Conventions strove to do this, but the laymen would not have it. In face of this persistently and expensively litigated section, Australian lawyers recall ironically Reid's optimistic declaration :

The words have the further recommendation that no legal technicalities can be built up upon them in order to restrict their operation. It is a little bit of layman's language, which comes in here very well.

The courts have striven ever since " to explain the elliptical and expound the unexpressed ", as Sir George Rich has put it in the High Court of Australia.

Precisely what was in contemplation in 1900 is exceedingly hard to elucidate; the Convention debates present, as might be expected, a great many blurred or ragged edges on a subject like this. Probably it was freedom in the narrow fiscal sense that was envisaged—freedom from financial imposts and from embargoes. Certainly nobody contemplated the wide rendering of 1920—" free from all governmental interference ". The Privy Council in James's case has made a powerful attempt at a new interpretation, along a line that falls somewhere between these two. What section 92 predicates, their Lordships have said, is " freedom as at the state barrier ". This is a formula which, as the Master of the Rolls himself said, is difficult and requires explanation. There will no doubt be judicial controversy about its scope hereafter. The immediate point, however, is the definitive conclusion that the power of the Commonwealth to make laws with respect to interstate trade and commerce must be exercised so as to leave trade among the states " absolutely free ", in that sense.

In all the industries in which there are, or can profitably be, substantial interstate transactions, the present marketing legislation has been rendered ineffective by the decision in the dried fruits case. On a voluntary basis, the existing organisation could certainly subsist. But that implies a

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higher degree of organisation than any of the industries at present possess: the publicly-controlled schemes both for dried fruit and for butter grew out of the failure of previously existing voluntary schemes. Luckily for the community, a rapid rise in wheat prices has rendered unnecessary for the present any action to support the growers in that industry. The other two export industries immediately affected—dried fruits and butter—may perhaps be able to carry on for a limited time on a voluntary basis. But difficulties are already beginning, and if the organisation breaks down the producers can only be assisted (as the constitution now stands) either by a return to the excise-and-bounty system or by a further depreciation of the currency. The alternative is for the Australian people, by an amendment of the constitution, to resume the power to regulate the marketing of primary products, whether in Australia or abroad, in the manner that seems to some or all of the Parliaments most fitting.

It is tempting to take a high line, and rejoice that the wisdom of the fathers of the constitution has been vindicated. General prohibitions fettering the exercise of legislative powers are by no means rare in written constitutions, and the whole point of inserting them is to prevent the infringement of fundamental principle under the pressure of sectional interests or temporary exigencies. The preservation of interstate free trade means, and has meant, a great deal in Australian life, and the decision of the Privy Council does preserve it from infringement by the Commonwealth. The problem, however, cannot quite be solved along such abstract lines.

At any rate where export industries are concerned, the problem presented is not at all the kind of situation that the fathers of the federation had in mind in laying down the categorical principle of interstate free trade. What they desired was to prevent the separate states from developing as separate and conflicting economic units. They wanted Australian production to develop as a whole. Marketing

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schemes on a state basis are very likely in fact to contravene this principle and to attempt protection of the home producers as against the producers in other states. But the attempt, on the other hand, to secure by means of Commonwealth action a home consumption price for Australian producers as a whole is precisely in line with the determination that Australian trade shall be treated as a unit. The control of interstate transactions is merely an instrument by means of which marketing may be controlled on a national basis.

That is why the declaration by the Privy Council that the Commonwealth is bound by section 92 raises such serious problems. The decision discloses a gap in the legislative power of the Australian people to control trade and commerce on a national basis, whether that power is exercised through the Commonwealth or through the states or through Commonwealth and states together. In these circumstances, the Commonwealth Government's decision to seek an amendment of the constitution is scarcely a matter to be deplored.

The difficulties and hazards of the constitution-amending process in Australia are well known. The initiative rests with the Commonwealth Parliament, and a proposed amendment, in all its technical precision, has thereafter to run the gauntlet of a referendum, and requires not only a majority of votes in the Commonwealth as a whole but also a majority in a majority of states (that is, in four states out of six). The negations of inertia are widespread. An amendment which can plausibly be represented as put forward for party purposes has only the slenderest chance of success. Fear of the Commonwealth, moreover, is still never far below the surface in state politics, and any issue that can be represented as an attempt by the Commonwealth to enlarge its powers starts from a long way behind scratch, more especially in the outlying and less populous states. In this particular instance, the Commonwealth Government hesitated a good deal before making up its mind to seek an

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amendment of the constitution, in order to permit marketing schemes along the familiar lines, and to close the legislative gap just referred to.

The prospects of the referendum (which is to be taken, it is understood, in February) do not at present look bright. Support from Labour might possibly have been expected, since the party is in principle pledged to unification as the constitutional goal for Australia. In the Commonwealth Parliament, however, the party leaders have managed to find in the charge that the Government's proposals are not far-reaching enough a technical ground for opposing them. The Labour leaders would have liked to secure, as the price for Labour support, an attempt to obtain from the people a general extension of the powers of the Commonwealth with respect to commerce and industry (with a 40-hour week particularly in view). Such powers have several times been refused, and if the marketing amendment is to have even a remote chance of success the Government has been wise in declining to couple it with any other proposals whatever.

Ministerial supporters in the constituencies will no doubt be divided on this issue. The United Australia party contains strong conservative elements which distrust on principle as well as by interest any extension of governmental regulation of industry. The powerful private interests carrying on the marketing of a great industry like wheat are fearful of any amendment that would permit compulsory pooling schemes. In some cases, these interests reinforce state fears of Commonwealth aggression, and greatly stiffen the opposition to any amendment that may be proposed. The sentiment in favour of interstate free trade is still widespread, moreover, in spite of the powerful vested interests that have grown up in support of regulated marketing.

A referendum is usually thought to have stronger chances of success if taken by a popular Government along with a general election. But only a strong Government will face

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the risks of such a union. On the other hand, a Government that takes an isolated referendum is certain to lose in prestige if the people reject its proposals.

The success of the referendum of 1928, taken to validate the Financial Agreement, showed what could be done if all the State Governments could be committed to a proposed amendment. A meeting of the Premiers' Conference was held in Adelaide in August, mainly in the hope of reaching some similar understanding, but without success. The Commonwealth, afraid not without reason of stimulating the latent jealousy of the states if it appeared to press for an amendment, gave no strong lead. The states in their turn were hopelessly at odds among themselves. New South Wales, Victoria and Queensland supported, the other three opposed, an attempt to secure a constitutional amendment.

The task of drafting an amendment which will be at once legally sound and politically seductive has taxed the ingenuity of the Government. The formula announced has the merits both of brevity and of modesty. The proposal is to insert into the constitution a new section, after section 92, as follows :

92A. The provisions of the last preceding section shall not apply to laws with respect to marketing made by the Parliament in the exercise of any power vested in the Parliament by this constitution.

"Marketing" is just now a word with a popular appeal, and likely to be "understood of the people"; its legal scope, however, is not beyond dispute and will no doubt—if the necessary affirmative votes are cast—immediately be disputed in the courts.

The object of this limited proposal is to regain, but only for the purposes of regulating marketing, the freedom from section 92 that the Commonwealth was previously thought to possess. The amendment will leave untouched the constitutional division of trade and commerce powers between the Commonwealth and the states. The Commonwealth will acquire no power to control intrastate transactions.

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Marketing schemes will still depend, as at present, on the willingness of the states to regulate the transactions within their own borders. On the other hand, the amendment will not in any way enlarge state powers to impair the freedom of interstate trade by local marketing schemes of their own. It is only that (to borrow a metaphor from Mr. Menzies) if the amendment is carried the Commonwealth will have power, as before, by controlling interstate transactions, to supply the cement with which to unite the state bricks.

During the referendum campaign, the real issues will only too probably be overlaid by a mass of relevant though secondary prejudices. The fundamental issue, of course, is the merit, if any, of maintaining an artificially raised home consumption price for the necessities of life. But, even if that issue be conceded, others remain, quite apart from the issue of state rights—real enough in itself. It has been widely asserted, for instance, that without any constitutional amendment at all, and merely by means of its excise-and-bounty powers, the Commonwealth can do everything that is necessary to protect the primary producer. The accuracy of this analysis needs careful examination. Many of those engaged in the present regulation of industry are convinced that a special home consumption price could never be maintained unless there were also power to regulate Australian sales. This view appears to be right. Even if it were wrong, the political objections to the excise-and-bounty system are very great.

On the other hand, there seems to be considerable room for improvement in the mechanism of marketing control. To keep as many as possible of the producers on the land has been a matter of urgent national concern during the depression. It is said, however, that the existing methods, based on "producer control", have led to the preservation of a good deal of marginal production, of a costly or inefficient kind. Such matters as these have been the subject, so far, of asseveration rather than examination.

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Again, the permanence of the present relation of Australia to world markets is assumed rather than even asserted. Upon all these issues, a critical democracy should demand enlightenment. The referendum campaign will be a real test of the political capacity of the Australian people.

II. THE TRADE DIVERSION POLICY AND JAPAN

THE trade diversion policy, announced on May 22 last, raises in the sphere of external affairs, political and economic, even larger issues for the future of the Australian people. A summary account of the steps taken, and of the principal reasons advanced by the Government for taking them, appeared in the last number of *THE ROUND TABLE*.^{*} Present needs will be met by simply recalling the three main elements in the new policy: the diversion to England from Japan, by means of drastically increased customs duties, of a large import trade in textiles; the diversion from America to Australian home manufacture of a large trade in motor car engines and parts; and the diversion from "bad-customer countries" (chiefly the United States) to "good-customer countries" (mainly European) of a substantial amount of imported manufactures. The technique of the two later diversions has been to prohibit the importation of the goods concerned, save under licence from the Minister.

These steps may fairly be regarded as committing Australia wholly, for the time being at any rate, to the prevailing policy of economic nationalism, trade restrictions, quotas, bargains between governments. Obviously enough, because of her external indebtedness if for no other reason, the Australian economy cannot be self-contained. The question then is, where is Australia to find her complementary units. The policy of May 22 answers this question emphatically, in an imperial sense. Readers of *THE ROUND TABLE* will be familiar with this theme. The

^{*} No. 104, September, 1936, pp. 843-8.

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Ottawa agreements were a clear expression of it, and it is thus expressed by Mr. Amery :

It is indeed one of the apparent paradoxes of modern economic development that while the whole conception and structure of the modern state imply a policy of economic nationalism, the technical developments of modern production all demand so wide a range of varied natural products, so large a market to secure the maximum efficiency of mass production, so powerful a financial basis, that few of the existing countries into which the world is divided constitute economic units adequate to modern conditions. The solution of the paradox lies not in flying in the face of the whole tendency of modern thought in order to restore a nineteenth-century internationalism, nor in acquiescing in the stifling of progress by existing national boundaries. It lies in widening those boundaries by bringing together nations in groups large enough to satisfy the technical requirements of modern production, and yet also sufficiently held together by some common ideal, some permanent co-operative purpose, to enlist the forces of economic nationalism on their behalf. . . . For us that wider basis, political and economic, is already given. The British Empire, with the outer circle of economic or political dependencies which are, or may yet come, within its orbit, provides, for us at least, our natural starting point and the object of our main endeavour during this next phase of the world's development.*

But is this policy sound for Australia to-day? Fundamentally, the criticism of the trade diversion policy now making itself slowly manifest is that it is neither economically expedient nor politically safe for Australia to adopt towards the countries of the northern Pacific the attitude which the new policy implies.

Misgivings along these lines were widely felt in Australia as soon as the new policy was announced, and they have not since been lessened. The volume of overt criticism, however, has so far been almost incredibly small. The newspapers, even where not supporting the Government, have at least been reticent, the graziers for the most part unconvinced but not vocal. Partly, no doubt, this apparent complaisance is due to pressing party-political considerations. The only effective alternative to the present

* *The Forward View*, pp. 111, 115.

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Government would at the moment be a Labour Government, and the shadow of Mr. Lang has kept many critics silent.

There have been other considerations operating as well, notably the request made by the Prime Minister that interested parties should "keep out of the ring". So dramatic have been the Government's moves, so skilfully have suggestions about defence been introduced, so sedulously has an air of mystery been preserved, that the plain man feels, almost in spite of himself, that there is a great deal more in this business than meets the eye. It will be remembered that the Government announced the new policy, without warning and without opportunity for discussion, only a few hours before Parliament adjourned for the winter recess. In informing the people later of developments in the trade dispute with Japan, the Prime Minister has twice used an instrument of propaganda unprecedented in Australia—a broadcast over all networks in Australia. These tactics have produced a considerable impression, but, in periodicals and in pamphlets, reasoned criticism is growing in volume.

Parliament reassembled early in September, but the Opposition has been in some difficulties about launching any effective challenge. To begin with, the trade diversion involved the promise of a very considerable expansion of employment in Australian secondary industry; in addition, an Australian Labour member would inevitably find himself in an unenviable position in defending the entry into Australia of goods produced by workers under less favourable wage conditions and on a longer working week.

In some quarters the trade diversion policy was regarded as a far-sighted measure, calculated to induce in Japan a greater willingness to accept the import restrictions that the Australian Government had proposed during the previous negotiations. Certainly no realist could have expected any immediate result of the kind. The immediate result was, in fact, Japanese retaliation, as was to have been expected.

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The Japanese wool-buyers began it by boycotting the Australian sales. Then on June 25 an official Japanese ordinance prohibited the import into Japan, save under licence, of wool, wheat, flour and starch, and imposed a 50 per cent. *ad valorem* surtax on a number of other commodities usually imported from Australia. The list included meat, butter, condensed milk, leather, animal fat and casein. Whereas the Australian customs duties were not to come into full force until December 1, these customs increases were to operate immediately.

The next move came from Australia, in the shape of a regulation, issued on July 8, prohibiting save under licence a wide range of imports from Japan. The Prime Minister explained that this action was not taken in any "retaliatory or punitive spirit", and he accompanied it with an offer to resume negotiations on the basis of a suspension of the measures taken on both sides, with the exception of the Australian tariff alterations of May 22. This was not very promising diplomacy. The Japanese Chamber of Commerce in Sydney urbanely remarked that: "a sporting people will readily realise that Australia thus suggested compromise whilst she retained a hammer lock on Japanese trade". In the alternative, Mr. Lyons offered to resume negotiations whilst leaving all the recent measures to their operation. This offer was accepted, and negotiations so far abortive were resumed. The exact proposals and counter-proposals do not appear to be known. The Ministry has denied a report from Tokyo that the Japanese Government offered to barter cottons and rayons for wool.

In the meantime the wool sales have been proceeding. If the Japanese had hoped for any dramatic slump in prices they were disappointed. On the other hand, it is idle to pretend that the market has been unaffected, though how much it has been affected is very difficult to estimate.

The Prime Minister has put the issue as one that "involves our right to legislate, as we may decide, upon our own domestic affairs, and touches our right to trade as we

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wish within the British Empire ". That is a strong enough point in itself, though of course it is a boomerang argument, and if pressed makes all tariff discussions useless. After all, Japan is doing to Australia exactly what Australia is herself doing to the " bad-customer countries " with whom she has an unfavourable trade balance. The whole point of negotiating trade treaties is precisely to modify the manner in which each country shall exercise its admitted rights.

In any case the insistence on Australia's right to follow this particular policy determines nothing whatever as to the merits of the policy itself, in Australia's own interest and in that of the Empire. The dilemma in which the Government has found itself should be clearly realised. On the one hand, it has been trying to negotiate, as against South American and European competitors, for a larger share of the British import market in meat and in other foodstuffs. In that negotiation, Australia's bargaining counter has been the offer to regain for British textiles, at Japan's expense, a larger share of the Australian import trade. But the very act of making such an offer impairs the success of Australia's efforts to find in the northern Pacific an expanding market for meat, flour and wool, particularly for wool. Australia loses, perhaps, whichever way she chooses.

That means she must choose in the light of the long-distance factors. Possibly not all of them are known to the general public. But those which are known weigh, on balance, against the particular arm of the dilemma that the Government has chosen. The strenuous effort being made to increase British home production and to make the Mother Country more nearly self-sufficient in foodstuffs suggests strongly that Great Britain cannot continue to offer an expanding market for Australian produce. The East can. But the trade diversion policy not only produces immediate dislocation of that market, it threatens ultimate contraction of it, in wool especially.

Arguments for this part of the trade diversion policy

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based on defence needs are disturbing but not altogether convincing. To provoke the antagonism of Japan is not, obviously at any rate, the best service that Australia can render Great Britain and the rest of the British Commonwealth. The British Government is reported as having disclaimed all responsibility for the introduction of the new policy, and the repercussions of Australia's action may perhaps cause some embarrassment to Great Britain herself in the East. There seems to be some ground for thinking that the diversion of trade may help Lancashire rather than Great Britain, and even that, taking a long view, its advantages to Lancashire are dubious. If the reports are correct that the future of Lancashire depends on courageous reorganisation and re-equipment within the cotton industry itself, the present concessions may well be on a wrong basis altogether.

One aspect of the new policy has been adversely commented upon, and never seriously justified. The Commonwealth Government has, over a term of years, been building up a tariff system based on a sound technique of expert and impartial investigation by the Tariff Board. The introduction of the licensing system, the imposition of new tariffs upon Japanese textiles, and upon motor engines and parts, took place, so far as the public is aware, without any prior consultation whatever with the Tariff Board. When questioned, the Government's answer in each case was simply that this was "a policy of trade diversion", and fell outside the scope of the Tariff Board's operations. Upon this the Ritchie Professor of Economics in the University of Melbourne remarked that "the Government appears to have exposed the whole structure of our tariff policy to the vagaries of future political expediency, and the log-rolling of interested parties".

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I. THE POLITICAL OUTLOOK

IN the last number of *THE ROUND TABLE* * reference was made to the impending elections for the provincial councils in the four provinces of the Union as being likely to furnish an important indication of the political strength of the Union Government throughout the country. It is true that these elections are nominally concerned with provincial rather than with general political issues. But they were contested purely on party lines, and, as this was the first occasion since the formation of the United party Government on which the people throughout the Union have been able to cast their votes on general political issues, the anticipation expressed in the article referred to—that these elections would be regarded by all sections as a preliminary trial of strength in anticipation of the parliamentary elections due in 1938—was fully realised. The results, however, in the Transvaal and Orange Free State—the only two provinces in which the elections have already taken place—have been far more favourable to the United party than even its optimistic supporters had hoped for.

In the Transvaal the Dominion party confined itself to contesting seats on the Witwatersrand. Its candidates stood in 13 of the 23 constituencies in that area, but only one was returned, and he by a narrow majority of 28 votes, in Colonel Stallard's own constituency. The Labour party, as was anticipated, was more fortunate, and succeeded in carrying six seats, but this, in view of the splitting of the anti-Labour vote by Dominion party candidates, must be regarded as a very moderate performance. In the

* No. 104, September 1936, p. 857.

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country districts the only opposition to the United party came from the followers of Dr. Malan. The result in their case was equally disastrous, as only two candidates were returned, by majorities of 25 and 1 respectively. In the latter case the successful candidate has resigned, in view of an impending election petition. The new council therefore consists of 48 United party members, 6 Labour members and one each of the Dominion and Malanite Nationalist parties.

The results of the 'Transvaal election in themselves would thus appear to be a remarkable expression of confidence in the United party Government. This, however, must to a certain extent be discounted by two considerations: first, that the election was after all a provincial and not a parliamentary election; and, secondly, that the poll was a small one, as not more than 50 per cent. of the registered voters recorded their votes. On this point it is claimed by supporters of the United party that, as the Opposition parties were the attacking force, and had chosen the occasion to test the feeling of the electorate, the apathy, which led to so large a proportion of the voters neglecting to vote, would naturally be more in evidence on the side of the defence. However that may be, the fact remains that, in so far as the elections in the 'Transvaal were used as a challenge to the strength of the Government, their position remains unshaken.

In the Orange Free State the polls were larger than in the 'Transvaal—almost up to the normal percentage of a parliamentary election. Great hopes were entertained by the dissident Nationalist party of their prospects in the Orange Free State, and the belief was widely held that the popular vote in that province had definitely turned against the United party. The result of this provincial election, however, does not give ground for that belief. In the outgoing council the United party had 18 seats, the Nationalists 6 and the Central party—a resuscitation of the party founded by the late Mr. Tielman Roos—one. In

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this election the United party won the Central party seat and two Nationalist seats, while the Nationalists won two United party seats, so that the new council consists of 19 United party members and 6 Nationalists—a result which again (in so far as inferences can be drawn from it) shows an unshaken position for the Government party.

II. THE UNION AND ITS NEIGHBOURS

THE City of Johannesburg has been celebrating the fiftieth anniversary of its birth. Foundation would be an inappropriate word; for the people who gathered fifty years ago on that bare upland of the high veld, to explore the possibilities of an outcrop of gold-bearing reef, had little conception of the miles of streets and buildings that cover that ground to-day. To commemorate this anniversary an Empire Exhibition has been opened, to display the products and industries of South Africa, its scenery, life and inhabitants, together with exhibits from Great Britain and other parts of the Empire. Attracted by this unique occasion have come visitors from Africa outside the Union and from overseas, and the opportunity has been taken of holding conferences of persons from different parts of the sub-continent interested in particular movements or associations.

The most important of these was a conference of African Governments south of the Equator invited by the Union Government to consider common problems of transport by land and air. The Belgian Congo, the Portuguese colonies of Angola and Mozambique, the French colony of Madagascar, the British colonies of Uganda, Nyasaland, Kenya and Northern Rhodesia, Southern Rhodesia and the mandated territory of Tanganyika were all represented by Governors or their deputies with their technical advisers—in the case of Southern Rhodesia by the Governor, the Prime Minister and the Minister of Mines. This is the latest and most important of a series of conferences of

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neighbouring African States and colonies by which the Union Government has been endeavouring to bring about closer co-operation and a better mutual understanding in matters of common interest—for instance, postal services, or public health regulation.

This last conference on transport was of wider scope, and brought together for the first time the actual heads (or their representatives) of the respective States and territories. The conference, after its formal opening by the Governor-General, set up two technical committees for air and land traffic respectively, and these, after a few days' deliberation, produced unanimous reports. In view of the diversity of conditions prevailing in the various territories it was not to be expected that agreement would be reached, or sought, on matters of detailed administration. On such matters an interchange of views and comparison of conditions was welcomed and appreciated. On two important matters of railway administrative policy, definite resolutions were taken—one that the standard track gauge should be the three-feet-six-inches gauge, on which so much of the African railways have already been laid, and that rolling stock and other equipment should be planned on that basis, and the other that common policies should be adopted to meet road transport competition and co-ordinate roads with railways. In the field of air transport, resolutions were taken for the demarcation and equipment of international air routes.

But more important than these practical resolutions was the unanimous recognition of the permanent value of the new principle of consultation and conference. A permanent secretariat was established, as a centre for the acquisition and circulation of information among the parties to the conference, and for the formulation and discussion of new suggestions. It was also decided that this conference should again be called together in 1940 at Lourenço Marques.

In this way a beginning was made of what may be a very

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fruitful development for peace and advancement in southern Africa.

III. THE NATIVE TRUST AND LAND ACT

EARLY in June 1936 the Native Trust and Land Bill passed its third reading in the Union House of Assembly. It received the *imprimatur* of the Senate immediately afterwards, and has now become the law of the land.

The Land Act is one of the trilogy of measures by which General Hertzog has proposed to lay down the native policy of the Union, for this and succeeding generations, on the basis of segregation. These measures are, firstly, the Natives' Representation Act, which has segregated the Bantu politically from the rest of the population; secondly, the Land Act, which seeks to provide for the territorial segregation of the rural natives; and, thirdly, a measure (amending the Urban Areas Act) which will regulate the terms on which natives are to be admitted to and live in the towns of the Union's "European" areas. This third measure is still in process of elaboration.

The Representation of Natives Act has already been fully dealt with in THE ROUND TABLE.* So have certain aspects of the Native Trust and Land Act.† It is the object of the following pages to give an account of the measure as a whole, dealing summarily with the aspects already discussed.

The Land Act falls into two main parts. The first part deals with the extension of the Union's over-populated native reserves, in order to make room, not only for the natives' natural increase, but also for the "redundant" ‡ natives who will be compelled to leave the European urban and rural areas in the interests of the segregation policy.

* No. 100, September 1935, p. 725; No. 102, March 1936, p. 414; No. 103, June 1936, p. 528.

† No. 100, September 1935, p. 723; No. 102, March 1936, p. 416; No. 103, June 1936, p. 535; No. 104, September 1936, p. 852.

‡ *I.e.*, those whose services are not required by the Europeans as labourers.

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This part of the Act has already been discussed in THE ROUND TABLE. Briefly, it provides for the setting aside of certain "released areas" where, in addition to the existing reserves, native land-holding will in future be legally recognised.* European landholders in the released areas may be bought out by the natives or by the Government; and, as a last resort, the Government has reserved to itself the right of expropriation. When in the course of time (and the time is certain to be a long one) all the Europeans in the released areas have been bought out, the existing 10.4 million morgen † of native reserves will have been increased to 17.7 million morgen, which is 12.3 per cent. of the total area of the Union. The land held by natives in this reserve is to be vested in a trust (the South African Native Trust) and the trustee is to be the Government of the day, that is to say, a Government elected almost exclusively by the Europeans.

The second part of the Act deals with natives who live on European-owned land. There are three classes of such natives: firstly the "squatter," who hires land on terms other than labour services; secondly the "labour tenant," who is allowed by the landowner to sow and graze cattle on his land in return for specified labour services by himself and his family; and thirdly the ordinary labourer, who works for wages. The Act deals with squatters and labour tenants: it seeks to eliminate the former and to reduce, on certain farms, the numbers of the latter.

This type of legislation is nothing new in South African history, at any rate as far as squatting is concerned. From the days of the Great Trek onward, Boer *Volksraads*, and the Legislatures of British colonies as well, have sought to limit the number of natives living on European farms to such as were genuinely required by the farmer to work his land and tend his live-stock. In the "liberal" Cape Colony,

* Some 400,000 natives already live in the released areas.

† One morgen = 2½ acres. The area of the Union is about 143,000,000 morgen.

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for example, a whole series of "Location" Acts were passed during the latter part of the nineteenth century whose aim was to get rid of the squatter, either by taxing him out of existence or in other ways. Since Union a number of laws have had a similar objective. Thus the Land Act of 1913 (which the courts ruled to be not applicable to the Cape Province) sought to prevent farmers from allowing any new squatters on to their farms, the intention being to let the system gradually die out. Again, the Native Service Contract Act of 1932, which affects the Transvaal and Natal, imposed a tax of £5 on every adult male squatter in any district where the Act was proclaimed. (So far the Act has been nowhere proclaimed, and it is now superseded, with respect to squatting, by the Native Trust and Land Act.)

The Land Act of 1936 does, however, differ from its predecessors in a number of ways in respect of its squatting and labour tenant provisions. For the first time it applies, or rather enables the Government to apply, a uniform system to the whole country. The squatting provisions, taken by themselves, do not make the native's position any worse than it has been since 1932. But these provisions should be read in conjunction with other clauses of the Act, which will in future take away the right hitherto still enjoyed by certain natives, namely, those of the Cape Province, to purchase or lease land anywhere in that province. The uniformity introduced by the labour tenant provisions involves more important changes which will be discussed presently.

One of the great merits of the Act, in the opinion of its supporters, is that it will put an end to "Kaffir farming" in the midst of Europeans. Kaffir farming means the cultivation of the soil (and its exhaustion) by primitive tribal methods and its stocking with the worst description of scrub cattle. Progressive farmers have undoubtedly a strong case when they urge that European areas should be protected against this kind of farming, and against the

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other annoyances that result from the close proximity on the soil of advanced and backward peoples. But the natives may fairly claim that they should not be driven from what is, in many cases, the land of their ancestors without some real *quid pro quo*, which it is extremely doubtful whether the administrators of the Act will be able in all (perhaps even in most) cases to provide. What is more, there are some progressive farmers among the natives also (though their numbers may be few) and more who have it in them to become progressive. There does not seem to be much hope for these people, unless some separation is effected between them and their more primitive brethren, and they are given a chance to acquire substantial holdings.

Let us now consider the more important details of the squatting and labour tenant section of the Act. It should be noted that this section has not come into force with the passage of the Act. The Government has reserved to itself the right to determine when and in what districts (or portions of districts) the section shall take effect. It may also determine which clauses of the section shall operate in any particular district. What follows is a description of the effect on a district of the application to it of the whole section.

First, as regards squatting, a progressive tax will be imposed on the landowner, starting from 10s. per adult male squatter in the first year and rising gradually to £5 in the tenth and subsequent years. Thus will the squatter be eliminated, not only from the surplus land of *bona fide* farmers, but also from large areas held by companies for the sole purpose of collecting rents from the natives, especially in the Transvaal. Such areas, together with a certain amount of crown land at present occupied by natives, will then become available for European settlement. As regards labour tenants, the section will operate as follows. In every district to which the section is applied a Labour Tenants Control Board will be set up, consisting of an officer of the Native Affairs Department as chairman

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and two landowners farming in the district. (In the Cape Province the Divisional Councils will perform the functions of the Boards). At the request of the Government or of six landholders in the district the Native Commissioner must summon before the Board any farmer named in such request, who will then be required to show cause why the number of his labour tenants should not be reduced. In calculating the number of labour tenants a farmer may need, the Board will assume that each of his labour tenants works for him at least six months in every year. In 1932 the Native Service Contract Act did its best to extend the three months' service customary up to that time to six in the Transvaal and Natal. The six months' service, which may be spread over the whole year, is now apparently to become general throughout the country. Similarly the penal sanctions of the Masters and Servants Laws, which in 1932 became applicable to labour tenants in the Transvaal and Natal, are now to become applicable to them throughout the Union.

What will happen to the displaced squatters and labour tenants? Clause 37 of the Act lays upon the Government the duty of accommodating these people in the areas set aside for the natives. The wording of the clause would seem to suggest that all natives who are ejected from the land on which they live will be thus provided for. But there are certain indications that this may not, in fact, be the intention of the Government. In the House of Assembly the Minister of Native Affairs refused to accept an amendment designed to compel the Government to see that adequate provision was made for a native before he was displaced under the Act. Again, the Prime Minister gave anxious rural members the assurance that they need not "fear anything where you have to do with labour required." Some members, particularly members from the Transvaal, quite obviously regarded the section we are discussing as a means of a better distribution of the native labour supply among the farmers. As one of them put it, "There is an

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opportunity to make the native more employable than is the case to-day." If an appreciable number of displaced natives are going to be thrown on to the rural labour market to satisfy the need of certain farmers for more cheap labour, the condition of the rural labourer may very well become further depressed.

A word may be said about the passage of the Act through Parliament. During the course of the debate on the second reading General Hertzog made the important and welcome announcement that £10,000,000 would be made available within the next five years (and further sums if required thereafter) for the purchase of land for natives in the released areas. But to enable natives to purchase land will not be enough: the Government will have to tell the country what it proposes to do to forestall the development of those "desert conditions" in the native areas to which the Native Economic Commission drew its attention a few years ago. If it proposes to vote money for this object on the scale that befits the magnitude of the problem, it will certainly encounter opposition. As it is, the bitterest parliamentary opposition to the Government's programme of rural segregation was directed by the Nationalists at the £10,000,000 set aside for land purchase. Their attitude drew from the Government the retort that it was no good paying lip service to the policy of segregation unless you were going to provide the means of making it effective. For the rest, the Land Bill encountered little real opposition, and it was finally passed almost exactly in the form in which it had emerged from the Joint Select Committee of the Senate and the House of Assembly in 1935. General Hertzog can claim with truth that his coalition with General Smuts has enabled him to carry through the most important aspects of his native policy.

NEW ZEALAND

I. THE BUDGET

LABOUR'S first budget was presented on August 4. Its essential figures may be thus summarised: *

	1936-7 <i>Estimates</i>	1935-6 <i>Results</i>
<i>Revenue</i>	£	£
Taxation	26,017,000	21,556,415
Interest receipts	2,520,000	2,721,446
Other receipts	2,530,000	1,894,506
	<hr/> £31,067,000	<hr/> £26,172,367
<i>Expenditure.†</i>		
Debt services	9,259,000	9,345,954
Exchange	1,455,000	1,593,536
Transfer of highways revenue	2,512,000	2,107,406
Other permanent appropriations	618,000	701,552
Annual votes :		
Social services	10,302,000	7,756,212
Other votes	6,658,000	4,385,907
Total, main estimates	<hr/> 30,804,000	<hr/> 25,890,567
Cost of reducing working hours in various state services	150,000	
Other supplementary estimates	100,000	
	<hr/> £31,054,000	
Surplus	13,000	281,800
Unemployment levy and tax	4,210,000	3,920,026

The budget contained little that was unexpected. It provided for public works this year to the extent of

* For the previous year's figures, see THE ROUND TABLE, No. 101, December 1935, p. 212.

† Supplementary estimates brought down in October provide for additional expenditure to the extent of £1,718,289.

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£10,450,000—of which sum £4,510,000 will come from revenue. The balance will be borrowed “without any loan issue to the public”: presumably it will come from uninvested departmental funds. Mr. Nash hopes that “additional ordinary expenditure” to the extent of something like £3,000,000 will be met by the buoyancy of the revenue without increase in taxation. But the budget also provided for generally increased pension rates, with the important addition of an invalid pension of £1 per week; and the income and property qualifications have been liberalised. “The principle guiding the Government”, said Mr. Nash, “is that a first charge on the national income should be the care of the aged and the ailing.” The pensions bill will thus be increased from £3,770,000 last year to £5,480,000. The necessary funds are to be obtained by increases in income tax (estimated to produce £1,000,000), and by the re-introduction of the graduated land tax (estimated to produce £800,000).

The new land tax is to be at the rate of 1d in the £ on taxable values up to £5,000, rising to 6d in the £ on taxable values of £45,000 or more. The purpose of the tax is apparently two-fold: to raise revenue, and also “to obtain for the community the values created by it”. The meaning of this last phrase is not very clear. The new tax is one of the means by which the Government hopes to prevent speculation, and, if necessary, take for the state unimproved values “created by the community” in the past or in the future.*

The new income tax differs from the old in that the rate of graduation becomes more uniform, and the general exemption of £210 (*plus* the usual exemptions in respect of wife, children, etc.) will be deducted from *every* income before tax is levied. On the balance of “earned” income, taxation will be at the “basic” rate of 1s. 8d in the £, rising with every £ of additional income to a maximum

* The object of the old graduated land tax was to break up big estates.

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rate of 8s. 2d (reached with a taxable income of £8,950). Company income tax rises from 1s. in the £ to a maximum of 7s. 6d in the £ on incomes of £8,950 and over. The normal rate of tax on income from debentures is 8s. 2d in the £. "Unearned" income will (as in the past) be taxed $33\frac{1}{3}$ per cent. higher than "earned" income. The tax payable under the new rates will be substantially larger than last year: an average increase, it is said, of 20 per cent. As in the case of the land tax, this increase in income tax appears to have a double purpose: to raise revenue, and to re-distribute purchasing power—for the Government insists that the increased revenue is, as it were, ear-marked for pensioners. In the words of Mr. Armstrong, Minister of Labour,

we are taking from the people with any amount to spare in order to relieve distress among the ranks of people who have been living for years on the poverty line. The higher pensions are a complete justification for the increased taxes on people who are well able to pay.

On the whole, the budget was well received. Admittedly it increased direct taxation to a very high level and was criticised accordingly. Some go so far as to say that the Government's object is gradually to squeeze out private enterprise so as to clear the way for state industrial and commercial activities. All the same, Mr. Nash's budget was financially orthodox, and it was of a familiar type. "Generally speaking", said the Christchurch *Star-Sun*, the budget "is the kind of statement that might be expected from any orthodox but rather extravagant Finance Minister in boom times."

II. MR. NASH AND SOCIAL CREDIT

ONE sign of Mr. Nash's "orthodoxy" was the virtual absence from his budget of any reference to the use of "public credit" and "debt free money". These terms still have considerable political significance.

MR. NASH AND SOCIAL CREDIT

It is well known that Social Credit supporters played an important part in Labour's victory, and that there is a group in the party caucus and in the Cabinet that favours "public credit" policy. At times there have been rumours of internal dissensions that might depose Mr. Nash in favour of someone more "Douglas minded". However, to all appearance he is at present firmly in the saddle, and his views dominate Labour's financial policy.

Mr. Nash, since becoming Minister of Finance, has sketched in firm outline his views on the use of public credit. On June 3 he rejected a suggestion that non-interest-bearing securities should be used "for state purposes", substantially on the ground that such a policy would dislocate existing financial machinery. His desire was to use that machinery rather than to destroy it.* Again, his views were further explained in a debate on August 12. "An expanding economy", he said, needed a corresponding expansion of credit. His Government had deliberately embarked on a policy of expanding "production up to the limit set by the needs of the community". If the "capital wealth" necessary to finance this expansion were not forthcoming from savings ("which constitute obviously the best source") or taxation, it would be provided by expansion of bank credit. The rule governing such expansion would be "that there would be £1 worth of goods or services behind every £1 of extra credit created". By this means the dangers of inflation would be avoided; in fact he seemed to argue that inflation would be impossible so long as the object and effect of credit expansion was to enable human labour to convert raw materials into "usable and desirable commodities". He added that this was "standard orthodox economics".

Those outside the Labour party feel some apprehension about the matter, and await practical examples of the Minister's policy. So far the only example to hand is the Government's housing scheme. On September 9 Mr. Nash

* See THE ROUND TABLE, No. 104, September 1936, p. 871.

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announced that arrangements had been completed with the Reserve Bank for the advance of £3,500,000 during the next 12 months.* This will be spent either directly by the Ministry of Housing (under Mr. J. A. Lee, Parliamentary Under-Secretary to the Minister of Finance) or through building loans to local bodies. The resulting houses will be "high grade, reasonably priced residences, grouped in accordance with the best town-planning principles". The terms of the loan from the Reserve Bank are not disclosed; but it will presumably be repaid by the rent drawn from the new houses.

Whether Mr. Nash is orthodox or not there is little doubt that he can give his plans a fair trial. It has already been explained in *THE ROUND TABLE* how the Reserve Bank has been armed with the most extensive powers and placed strictly under Ministerial control.† In case "orthodox" financiers should prove obstructive, Mr. Nash has potential control over the policy of such financial institutions as the Post Office, State Insurance Offices, and the State Advances Corporation. And finally there is the Bank of New Zealand. This bank conducts nearly half of New Zealand's ordinary banking business and four of its six directors are nominated by the state. In the past the state has normally had no particular banking policy, and its nominees have in fact adopted the same general "orthodox" policy as the other trading banks. In March, however, two government nominees, Sir Harold Beauchamp and Mr. Oliver Nicholson, retired from the directorate in the ordinary course. They have given the bank long and faithful service, and have been repeatedly re-nominated to the directorate. In their place the Government appointed two men of a younger generation, a professional economist (Mr. D. O. Williams) and an Auckland

* The Second Finance Bill, introduced on October 7, raised this figure to £3,000,000.

† See *THE ROUND TABLE*, No. 103, June 1936, p. 649; and No. 104, September 1936, p. 861.

THE GUARANTEED PRICE

business man (Mr. H. J. Kelliher). Further, the July Finance Act provides that the remaining government directors will retire on March 31 next.

Presumably the new directors will be men in broad sympathy with the Government's policy; and thus will be completed a formidable array of institutions under government control. In these circumstances the personal character and ability of Mr. Nash have considerable political importance; for it is widely felt that they give a valuable safeguard against extravagant use of the Government's power.

III. THE GUARANTEED PRICE

DURING his budget speech Mr. Nash at last announced the guaranteed price for dairy produce.* It is to be 117s. 3d (N.Z.) per cwt f.o.b. for finest creamery butter. As previously announced, however, this "basic" price will be somewhat varied according to the precise quality of the butter and cheese supplied. The government will pay for the finished product, but the farmers (and the country) think generally in terms of the price paid by factories to farmers per lb of butter-fat. It is generally calculated that the average factory pay-out will be approximately 1s. 1d (N.Z.) per lb of butter-fat to butter factory suppliers, and 1s. 2½d (N.Z.) per lb of butter-fat to cheese factory suppliers. Mr. Nash explained that the Government had faithfully carried out its policy. The price was based on average prices for the past 8 or 10 years "plus something more", and it included an allowance for rising costs. He added that the marketing would be carried out in London as usual through Tooley Street merchants, but that Tooley Street had agreed to reduce the usual commission. This reduction would benefit the industry, which would also save "at least £60,000 in bank charges". It is understood, also, that other economies

* See THE ROUND TABLE, No. 103, June 1936, p. 647.

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arising from "orderly" marketing will be considerable. Mr. Nash stated that if this year's London sales did not cover the guaranteed price the deficit would be "the responsibility . . . of the Government." If there is a surplus, it "will be used for the benefit of the dairy farmer and the industry after consultation with its representatives".*

As was to be expected, comment on the guaranteed price by representatives of the farming industry ranged from acute disappointment to moderate satisfaction. On balance, opinion seems to be that the price is a fair one, erring if anything on the side of caution. In Mr. Savage's own phrase, "the price is a fairly liberal interpretation of my statements to the farmers". It is generally said that "the Government has played very safe". As for the future, next season's price will be fixed on somewhat different principles.† But meanwhile Mr. Nash will have visited England, where, he hopes, "the simple logical reasonableness" of his case will "persuade Britain to take a maximum quantity of goods from New Zealand". The result of his mission will have an important bearing on the future of the whole scheme.

IV. MORTGAGE POLICY

THE guaranteed price is only one part of the Government's policy towards farmers. It must be considered in relation to mortgage policy and the wages of farm labourers.

On August 25 the "Mortgagors and Lessees Rehabilitation Bill" was introduced into the House. Its object is "to keep the farmer on his farm and the home owner in his house"; to do this by making sure that mortgages are not greater than 100 per cent. of the relative security; and to reach a settlement quickly and finally. All applications

* See his budget speech on August 4 and his speech in reply on August 12.

† See THE ROUND TABLE, No. 104, September 1936, p. 867.

MORTGAGE POLICY

for relief must be made by January 31 next. If such application is not made, all relief and protection given under previous legislation ceases forthwith. Mr. Nash hopes that all cases brought under the new Act will be finalised by the end of next year, so that "the ordinary relations between mortgagors and mortgagees may be resumed".

The Act, like much of the present Government's major legislation, is an adaptation of the law as framed by its predecessors. The Rural Mortgagor's Final Adjustment Act 1934-5 provided that farm mortgages should be written down in conformity with current values as determined by the five-year budgetary period.* The new Act makes use of similar Adjustment Commissions and Court of Review, though the entire personnel (except Mr. Justice Johnston) retires, and is eligible for re-appointment. The principle is the same (that mortgages should not exceed the present value of the security), but it is applied to all mortgages, not merely rural, and a different method of valuation is used. Farming property is to be valued in accordance with the guaranteed price policy. The Commission (or Court) is to discover how much produce could be produced from a given farm "by the average efficient farmer". This produce will be valued on the basis of "the prices of farm products received over a period of from 8 to 10 years immediately prior to July 31, 1935". This gives the gross income of the farm. Net income will then be calculated by deducting "all the costs incurred in production, including a sum that would give a reasonable standard of living". This net income will be "capitalised at a rate to be fixed . . . by order in council". The result is the "basic value" of the farm. If it is mortgaged for a greater amount, the mortgage is written down to equal the basic value, and the balance becomes an unsecured and "adjustable debt". "Adjustable debts" are written off unless an Adjustment Commission provides otherwise.

* See THE ROUND TABLE, No. 99, June 1935, p. 640.

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With respect to non-farming properties, the Commission is to value them as at the date of the Bill's passing; if the properties are mortgaged for amounts greater than this value, the excess becomes an "adjustable" debt. The Adjustment Commissions, subject to supervision by (and appeal to) the Court of Review, are given the widest administrative powers, including the power to vary any of the terms of any mortgage, to deal with arrears, and so forth. All mortgaged property in the Dominion may be brought under the present Act. A further point is that the "temporary" interest and rent reductions made in 1932 are now declared permanent; and all mortgagors are given the opportunity to pay off their mortgages and re-finance (if they can) on better terms, merely by giving notice to the mortgagee before January 31 next that they wish the interest rate to be reduced.

These proposals have met with a chorus of criticism. For example, they are said to "make the mortgagee pay" by writing down values at a time very favourable to the mortgagor. Alternatively, they place the farmer in a strait-jacket: mortgaged up to 100 per cent. with no opportunity to repay his debt (this particular point will turn on the rate of interest on which the "net income" is capitalised, and on its relation to actual mortgage rates). Again, they help the improvident man who is over-mortgaged, and give nothing to the man who (perhaps at great sacrifice) has paid off a portion of his mortgage. It is said that they are based on values of the moment (for non-farming property), and in the case of farms on a guaranteed price which will next year be fixed on different principles from those governing the current price. There is much resentment among mortgagees at the inclusion within the scope of the new Act of mortgages arranged since 1932; even those arranged in 1936 are included. Finally, it is said that the new legislation will lead to land speculation and over-capitalisation.

Experience shows that any benefit conferred on the

DAIRY FARM LABOUR

farming industry tends to be absorbed in over-capitalisation. The question is whether the Government can carry out its avowed intention to prevent this process from happening in the present case. It has taken certain powers under the State Advances Corporation legislation. A man whose land is mortgaged to the Corporation may give no further mortgage over that land without the Corporation's consent; and if he sells his land the Corporation may call up the whole or any part of its loan to him. Further powers are taken in the mortgage legislation. If *any* mortgage is "adjusted", and the mortgagor sells out, the loan becomes repayable. Further, no sale may take place before December 31, 1940, without the consent of the Court; and, if the selling price is above the value (or basic value) to which the mortgage was adjusted, the court may order any part of the balance to be paid over to previous creditors "whose accounts have been written off". Mr. Nash also hopes that the graduated land tax will discourage speculation.

Opinions differ sharply as to whether or not these provisions will have the desired effect.

V. DAIRY FARM LABOUR

LABOUR costs have been an outstanding problem in our farming system: a problem that had to be solved if farming costs were to be stabilised, and was all the more serious because of the existing tendency for farm labour to be attracted to industry and public works by higher pay and shorter hours. The Government consulted the representatives of the Farmers' Union about this problem, and reached agreement on general conditions of employment, and on the relation that dairy farm labourers' wages should bear to guaranteed prices. When the guaranteed price was announced the wage rate was finalised, and the whole agreement embodied in a Bill introduced on August 14. Minimum wage rates are fixed until July 31 next at rates rising from 17s. 6d for workers under 17 to £2 2s. 6d for adults: board and lodging is to be provided

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according to a standard carefully laid down, or an additional 17s. 6d per week paid. No deduction is to be made for time lost through wet weather. Holidays on full pay are to be allowed at the rate of 7 days in 12 weeks, or 28 days in the year (the annual holiday is reduced to 14 days if a weekly half-holiday is allowed). These minimum rates of pay are to be revised from time to time by Order in Council, according to variations in the guaranteed price; but they may not be less than the wages set out in this Act.

The general view is that this wage scale will be a considerable improvement on past conditions, though some dairy farmers paid as much last season. Opinions differ as to whether the new wages are fair in relation to pay on public works. However, Mr. Semple (Minister of Public Works) announces with customary emphasis that his engineers will not engage farm labourers. Mr. Armstrong (Minister in charge of this legislation) thinks the wage is a good one. But apparently he also relies on the pressure of unemployment to force labourers to accept it. He claims that when industries and public works are fully manned there will be a sufficiently large surplus of men who will have no employment available except on farms. Mr. Armstrong meanwhile denies the prevalent report that there is a shortage of labour on farms. His department handles applications by farmers for labourers; and he says that no application has been unsuccessful where the farmer was willing to pay the wages laid down by the Government's policy. He adds that on September 15 his department made a Dominion-wide census of all applications for farm labour then on hand, and that this census showed the position to be satisfactory.

VI. INDUSTRIAL POLICY

THE main lines of the Government's industrial policy have already been indicated in *THE ROUND TABLE*.* At the time of writing, the 40-hour and 5-day week have

* No. 103, June 1936, p. 643, and No. 104, September 1936, p. 873.

INDUSTRIAL POLICY

been widely applied. The basic wage is not yet fixed, but the Court announces that it will consider this matter when it sits in Wellington on October 19. Meanwhile, as promised, the Finance Act passed in July provided for the restoration of all wages and salaries (public service and otherwise) to the 1931 level. Restoration was granted to those affected by the "general order" made by the Arbitration Court on May 29, 1931. More generally, it is provided that the rates of pay for any services shall not be lower to-day than those paid for similar services on March 31, 1931. In all cases, restoration dates from July 1, 1936. This Bill was not seriously resisted by the Opposition. Mr. Forbes remarked that his Government had undertaken to restore cuts when conditions improved: "there is no doubt that they have improved; and we would have restored the cuts". He suggested, however, that they should have been restored as from April 1.

Perhaps the most striking expression of the Government's industrial policy, however, is the Industrial Efficiency Bill, introduced into the House on September 25. The Bill reorganises the existing Bureau of Industries. The Bureau is now to be composed of "ordinary" members (civil servants chosen by the Minister of Industries and Commerce) and "special" members (also chosen by the Minister, but representing manufacturing and agricultural industries in general). Further, additional "special" members may be appointed to speak for any particular industry whose affairs may be under discussion. All members of the Bureau hold office at the Minister's pleasure; "special" members may vote only on matters concerning the industries they represent.

The Bureau thus constituted has advisory and licensing powers. In its advisory capacity it will conduct an extensive programme of research into industrial matters. It may submit plans for the re-organisation of any industry. Due notice must be given of these plans, and those interested given a chance to express their opinions. The Minister may

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revoke or amend any plan. The industries concerned may finally be invited to accept any plan voluntarily: failing voluntary acceptance it may be enforced by regulation. Levies may be imposed on any industry to finance the preparation or carrying out of an industrial plan.

If the Minister so proclaims in the Gazette, any industry can be carried on only under licence from the Bureau. Before granting a licence, the Bureau will consider such questions as the efficiency of factories, their capacity to meet the probable demand, the local costs of production in relation to overseas costs, and "any other matters which it thinks fit" in view of the general object of promoting the "economic welfare of New Zealand". Subject to appeal to the Minister, the Bureau may grant, suspend, or revoke licences. Finally, power is given to make "regulations by Order-in-Council to give effect to the purposes of the legislation": and it is expressly provided that these regulations may fix prices and control production and marketing.

The Minister of Industries and Commerce (Mr. Sullivan), in moving the first reading, admitted frankly that the Bill is "far reaching" and "involves a substantial experiment on a wide scale". He admitted that its value would depend primarily on its administration. "If administered wisely and honestly and in a faithful democratic spirit" it would do much good, otherwise much harm. Outside critics add that the Bill's wide powers might be used virtually to nationalise all industry; alternatively, they might be used to stabilise and make permanent the existing forms of private control. Meantime, Mr. Savage assured the House that "the Bill was not going to be sledge-hammered through". According to one report he added: "if those affected by the legislation did not want it—well, that would be the end of it". Mr. Sullivan said, however, that "manufacturers and others concerned" had been fully consulted, and had accepted the principles of the Bill.

Whether or not the Industrial Efficiency Bill is passed in

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its present form, its basic principle of government-controlled rationalisation is an important part of Labour's industrial policy. Manufacturers claim that the Government's legislation will increase costs and therefore prices, thus exposing them to ruinous competition from overseas—unless the tariff is raised. From time to time Government spokesmen have endorsed this line of argument and promised protection of some kind.

New Zealand standards must be protected (said Mr. Savage on June 26) either by the old method of tariff wall or by the new ideals of Labour—trade agreements, that is, taking what we want from abroad consciously and deliberately.

Apparently the plan is ultimately to prohibit the importation of goods which can be produced economically in New Zealand, while giving free entry to goods which cannot be so produced. Meanwhile it is hoped that "rationalisation" or "industrial efficiency" will strengthen local industry to meet overseas competition, and may ultimately be a means of keeping the newly sheltered industries up to the mark.

VII. RISING PRICES

OF all the manifold practical difficulties which have appeared with the evolution of Labour's policy, most attention has been paid to that of rising prices, which (it is often said) threaten to take from poor people the fruits of government benevolence.

Retail prices have risen and are rising. It will be some time before the Government Statistician can give an accurate survey of the general movement, but it is perceptible enough to the ordinary consumer. It has affected goods and services provided by private enterprise operating freely, or (as in the case of bread) selling at prices fixed by the government. Municipal services such as trams have been affected, and services managed directly by the state (such as the state coal mine). Of course increases are not uniform in amount, and are by no means universal;

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and they cannot all be traced to the same cause. Some are due to recent legislation; others would have occurred in any case—for example, where prices of imported goods have been increased by overseas suppliers; in other cases again, desire for increased profit may have played a part.

The Government admits that its industrial legislation increases costs (it is officially estimated that the 40-hour week and restoration of “cuts” will cost the railways an additional £486,000 in the present year) and that increased costs *may* compel increased prices. It argues, however, that those costs may in many cases be met (partially or wholly) by increased profit due to improving turnover. Where legislation has genuinely increased net costs, prices may be raised to a reasonable degree. It is argued that while 1931 money wages have been restored, the cost of living is still well below 1931 figures, and a further considerable rise can take place before increased prices will absorb increased wages—*provided* “exploitation” does not take place. That, says Mr. Savage, will be vigorously traced out and ruthlessly punished. To that end there has been passed the Prevention of Profiteering Act, which imposes heavy penalties on individuals or companies who increase prices over those charged on June 1, 1936, by an “unreasonable amount”. Complaints about rising prices may be sent to the Minister of Industries and Commerce, who will make all enquiries, and (if he thinks fit) make friendly representations to those concerned. If prices still seem to him to be excessive, he may bring the case before a judicial tribunal consisting of one stipendiary magistrate. The magistrate will then decide whether or not the prices are reasonable, paying special regard to increased costs due to recent legislation, and increased profit to be expected from the public’s increased purchasing power. The magistrate acts alone, and there is no appeal from his decision.

Even among Labour supporters there is considerable doubt as to the effectiveness of this legislation. It is

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commonly called "bluff", which can have little effect on the general course of rising prices. And this matter of rising prices is only one of those problems which raise the question: will the Government be forced either to retrace its steps, or to try to develop a state of social control more advanced than it at present appears to contemplate?

Criticism of the present Government comes partly from the Left. Those who look for quick and radical change in our social and economic system say that that system is still intact: that much of the Government's stabilising and regulating legislation guarantees profits, instead of seizing them for the community. Critics of the Right, on the contrary, complain that private enterprise is to be bound hand and foot by regulation, and crushed by confiscatory taxation. They say that it is humanly impossible for Ministers and civil servants to cope with the detailed administrative problems—infinite in number and in complexity—that must be solved if the Government's legislation is to be successful. They denounce the concentration of powers in the hands of Ministers: finance, marketing, industry, housing, transport, broadcasting, all under the absolute control of Ministers who can act without further reference to Parliament. In many of the major Acts, the widest possible powers are taken to make regulations by Order-in-Council—a procedure much criticised by the Labour party when in Opposition. Such dictatorship (say critics) may be beneficial in good hands, but will Ministers always be able to maintain the necessary high level? And will they always be able to withstand pressure from their organised followers, especially in times of depression?

Such general criticisms are met with the answer that dictatorial powers inevitably exist in a modern society, and should be placed in the hands of the people's constitutional representatives. Criticism and answer raise questions too big to be here discussed.

New Zealand.

October 1936.

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